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INDUSTRIAL



FREEDOM

I. "THE MONEY QUESTION."

JOHN DAVIS, M.C.

II. "THE RAILROAD PROBLEM."

GOV. LIONEL A. SHELDON.

III. "THE SUB-TREASURY PLAN."

C. C. POST.

IV. "SHOULD THE GOVERNMENT OWN

THE RAILROADS?"

C. WOOD DAVIS.

The
ARENA

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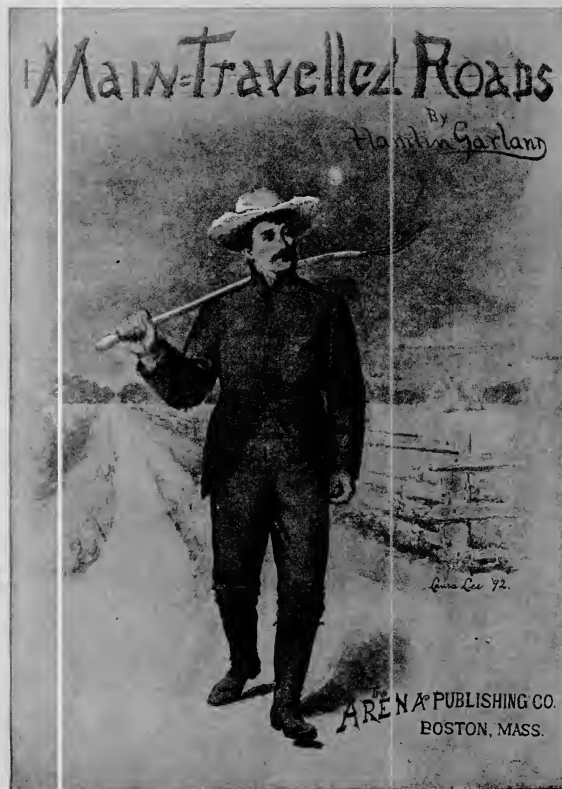
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THE MONEY QUESTION.

BY HON. JOHN DAVIS, M. C.

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MONEY is an important factor in modern civilization. Some writers claim it to be the most important of all. The United States Monetary Commission of 1876 mentions the importance of money in modern society as "The great instrument of association, the very fibre of social organism, the vitalizing force of industry, the protoplasm of civilization, and as essential to its existence as oxygen is to animal life. Without money, civilization could not have had a beginning; with a diminishing supply it must languish, and, unless relieved, finally perish."

Sir Archibald Alison, England's great historian, speaks of money as "This mighty agent in human affairs." Mr. Alexander Del Mar, formerly director of the Bureau of Statistics of the United States, member of the United States Monetary Commission, and an able writer on the finances, describing the operations of this factor in the affairs of nations, says: "Unheard, unfelt, almost unseen, it has the power to so distribute the burdens, gratifications, and opportunities of life that each individual shall enjoy that share of them to which his merits entitle him, or to dispense them with so partial a hand as to violate every principle of justice and perpetuate a system of social slaveries to the end of time."

The late Senator Plumb, speaking of the money question in 1888, said: "We are dealing with a question which has more to do with the welfare of the United States, which is of more concern to them, than any other thing that is pending, or that can be pending," etc.

Money, strictly speaking, is not a material thing. It is a function created by law; and by law, this function may be attached to any proper material. It is an office or function, as is the office of sheriff. A man, naturally, is not a sheriff or other public officer; but when the office or legal function has been attached to the man, he is then a public officer, and as such can do many things and perform many acts which he

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could not do or perform as a mere man. When the money function has been legally attached to a material thing, then that material thing becomes tangible money. In rude societies the money function may grow up by custom, and by common consent it becomes attached to a material thing. In this way, cattle, copper, gold, silver, tobacco, and various articles of commerce have become tangible money by reason of their endowment by custom or law with the money function. The various commodities of commerce have never proven themselves entirely satisfactory money, because of their unwieldiness and frequent scarcity.

A proper material for use as money should possess certain attributes: First, cheapness of procurement, that its acquisition may not prove a burden on society; second, reasonable durability; third, ease of transportation; fourth, convenience in handling in large and small amounts; fifth, ease of concealment; sixth, difficulty in counterfeiting. All things considered, no material seems so well adapted to practical business purposes as well-executed paper notes. The material is easy of procurement, reasonably durable, and easy to transport, count, and handle in large or small amounts. It is easy to conceal about the person, being small of bulk and light of weight; and, above all, when executed in the highest style of art, it is the most difficult, perhaps, of all moneys to counterfeit. On this latter point, Mr. Alexander Del Mar, in his able work on "The Science of Money," says: "The silk-threaded, distinctive-fibre paper, the water marks, the printing in colors, the highly artistic vignettes, the geometrical lathework, the numbers, signatures, and other mechanical safeguards of the modern paper note render it far more difficult to imitate than coin."

The importance of having a money above the arts of the counterfeiter is seen when we contemplate a few facts of history. All agree that money is valuable in proportion to limitation, and that an unlimited money must be, ultimately, a worthless money. A money that is easily counterfeited is practically an unlimited money. As examples in point, I mention the continental currency of the American revolution and the assignats of France. Both were largely counterfeited by the British government. In each case the counterfeiters are said to have far exceeded in amount the genuine notes, when the point of worthlessness was reached.

The issuing of money is an act of sovereignty, and, as such, ought not to be delegated to individuals or to corporations. All money should be issued by the sovereign power of the nation. When so issued it is in effect a check on society for value, and, like all checks, it must be redeemed. All money, whether metal or paper, must be redeemed. That is what money is for. It rests on the value that is behind it. But let us not be mistaken—let us not be misled by terms. Swapping dollars is no redemption. The first and primary redemption of money is receivability by the issuing power. It must be receivable in the revenues of the issuing government. That is primal redemption. A money so received in the United States and Great Britain, has been and is uniformly good money. This primal redemption is like a man accepting his own checks in payment of dues to himself when he transacts business.

But there is a wider and more general redemption, which arises from the quality of legal tender. All perfect money is endowed with this necessary quality; and when so endowed, all men advertise their eagerness to redeem such money with value. In effect this is basing money, not on gold, not on silver, nor on any single commodity, but on all commodities. A money so based is precisely as good as the issuing government—no better, no worse. A money so based, though made of paper, never falls below coin while the issuing government remains intact and continues to collect and disburse revenues. This rule has no exceptions. A paper money so founded and redeemed is always preferred to coin. Intrinsic or commercial value in the material which is endowed with the monetary function is not only unnecessary, but it should be further stated that such intrinsic value is a great and sometimes a fatal objection to the money material. It gives the owners of the valuable money material a monopoly of the money of the country. If gold alone is used as money, then the amount of money in a given country cannot exceed the amount of gold available in that country; and the holders of gold, by making money scarce or plenty at will, become masters of the situation. They occupy the position described by Mr. Garfield when he said: "Whoever controls the volume of the currency is absolute master of all industry and commerce." Senator Benton, speaking of the same dangerous class of men, said: "All property is at their mercy."

Money has often been defined as a "measure of value." This is not strictly true. Values are measured by the combined judgments of the parties concerned, influenced by surrounding circumstances and conditions. In other words, "values are measured with brains." But money is a unit of account, and values are expressed in the money units. In the United States the dollar is the unit of account, and values are expressed in dollars and fractions of a dollar. Values having been fixed by the combined judgments of the parties in interest, then it is the office of money to settle the account between the parties as a medium of exchange, or means of payment. When I pay a man money for service, I give him a general check on society for value. So far as I am concerned he is paid, but in fact he has not yet received anything which satisfies his ultimate wants. He has only received a check on the general wealth of the country for what he desires. This check must be redeemed, and society is eager to redeem it with all the values of the country that are for sale. Hence, the man to whom I paid the check is better paid than if I had given him some form of value which he did not specially need. If I had given him a horse or a cow, when he needed a coat and vest, it would have been less satisfactory to him than the money, though of the same or even greater value. Though money may be without intrinsic value in itself, and should be so, yet when fairly treated by law, it stands for all values; and the holder of it has a check or order on the entire country for his choice of all property that is for sale, to the extent of the value mentioned in his check or order, and all men are eager to accept or redeem his check, and give him choice of the values in their possession.

Money is a labor-saving machine. It is a book-keeper and accountant, saving much time and expense when it floats in proper volume. For this purpose the material of money need not have value. If A owes B ten dollars, and B owes A ten dollars, the accounts balance, the parties shake hands, and the transaction is ended. If A owes B ten dollars, B owes C ten dollars, and C owes A ten dollars, the parties, being together, may still see through the matter. The case is more complicated than before, yet the opportunity for cancellation exists, and the parties may shake hands, as before, without money payment. But suppose fifty men are involved. Then

money must be used in some form, either to pay the entire debts or to settle balances. Each owes another ten dollars, but all are not aware of the facts. Let the parties be together with no money in their pockets; but looking on the ground, one of them finds a ten-dollar note. He asks for a claimant or owner of the money, but finds none. He then pays a debt of ten dollars to his neighbor, standing near. His neighbor pays the money to another, to whom he is indebted. Debt paying is the order of the day until fifty debts have been paid, when the money finally stops in the hands of the finder, who, owing no one present, puts the note in his pocket. I inquire, Are those debts paid? Plainly they are. But suppose the holder of the money should drop it into the fire, and it should be consumed. Would that make any difference? Surely not. Whatever may become of that note, the debts are paid. But let us suppose that the holder of the bill, instead of dropping it into the fire, should carry it to a bank for deposit, and there find it to be counterfeit. Now are the debts paid? Let each reader decide for himself. Evidently it was a case of cancellation; and if the parties had known of the facts and relations of each to each, they might have clasped hands, and the debts would have been settled, cancelled, or paid, without the use of money.

Now let us suppose that fifty men are present in a clearing-house. The first man, A, hands his personal check to B, his creditor. (This is not final payment, as money is. A personal check may be called money of conditional payment.) The second man, B, owes C forty dollars. He hands to C a ten-dollar check, received from A, and his own personal check for thirty dollars. And so the payment continues until all are paid with these checks of conditional payment. Then comes cancellation and the payment of balances. In practice it is found that checks do not balance and cancel each other in full, as men do not owe each other the same amounts, but that there must be used in every clearing-house some money of final payment; that is, money or general checks on society at large, issued by the sovereign government or society in the concrete, which all are willing to accept as money of final payment. By the records of clearing-house business for long periods, it is found that, on the average, the amount of money of final payment necessary to settle balances is about five per cent of the business done. This is not much,

but it is absolutely necessary to prevent bankruptcies. Ninety-five per cent of the business is done with individual checks and drafts, five per cent with money of final payment. In view of these well-settled facts, some flippant writers and speakers have taken the ground that all business may be done with individual checks and drafts, and that the volume of actual money cuts no figure. This is not correct. The five per cent of actual money is small, but it is absolutely necessary to prevent bankruptcies. The entire business is based on this five per cent; and for every dollar of this money which may be withdrawn from circulation, twenty dollars of business must stop. This shows the importance of watching closely the volume of money of final payment. Even a small contraction deranges business, causes bankruptcies, and reduces the volume of the business of the country.

Money is a war power. There are two great war powers known among civilized nations—the sword and the purse. By the sword is meant that physical force which overcomes the enemy in the field. The purse is that power which equips, alimets, recruits, and pays the fleets and armies. Among savages there is much of the sword and little of the purse. As a rule, the purse power increases among nations as civilized methods are adopted, until ultimately most of the purposes of war may be attained with only a show of physical force. Money, as a war power, need not have intrinsic value. It has been proven time and again that modern wars cannot be prosecuted with intrinsic money as a support to the armies. I do not speak at random. A senator of the United States has discussed this subject as follows:—

No people in a great emergency ever found a faithful ally in gold. It is the most cowardly and treacherous of all metals. It makes no treaty it does not break. It has no friend it does not sooner or later betray. Armies and navies are not maintained by gold. In times of panic and calamity, shipwreck and disaster, it becomes the agent and minister of ruin. No nation ever fought a great war by the aid of gold. On the contrary, in the crisis of the greatest peril, it becomes an enemy more potent than the foe in the field; but when the battle is won and peace has been secured, gold reappears, and claims the fruits of victory. In our own civil war it is doubtful if the gold of New York and London did not work us greater injury than the powder and lead and iron of the rebels. It was the most invincible enemy of the public credit. Gold paid no soldier or sailor. It refused the national obligations. It was worth most when our fortunes were the lowest. Every defeat gave it increased value. It was in open alliance

with our enemies the world over, and all its energies were evoked for our destruction. But as usual, when danger has been averted, and the victory secured, gold swaggers to the front, and asserts the supremacy.—*J. J. Ingalls' speech in the U. S. Senate, Feb. 15, 1878.*

To show that the senator was right, we need only to refer to the examples of history. The history of the republic of Venice is a history of continual warfare on land and sea. The republic of Venice was the great commercial nation of the earth for centuries, and its maritime wars were necessary for the protection of its extended commerce in every quarter of the known world. In the year 1171, intrinsic money utterly failed to meet the monetary requirements of the republic, and a book credit or inscription money was adopted. This inscription money had no material value whatever. It was not redeemable in coin or bullion, and there was no pretence that it would be so redeemed; but it was receivable in the revenues of the government, and legal tender for all debts. That legal tender quality, in the language of Dr. Franklin, was "greater advantage" than coin redemption. For six hundred years that paper-credit money ruled twenty per cent above coin. During all that time there was not a money panic in the country. Venice became and remained the centre of commerce and the clearing-house of the world. There is not a line on record that any citizen of Venice was dissatisfied with their financial system. This is the longest and most satisfactory continuous financial experiment recorded in history, and it proves very conclusively the superiority of functional, or fiat money, over intrinsic money in times of war.

At the beginning of the American Revolution, coin, or intrinsic money, failed to materialize. It was not to be had. It was an utter failure. Our fathers had no resource but paper. They had no government capable of issuing a proper money of any sort, but they did the best they could. They could print paper and call it money, but they could not receive it in the revenues of the government, because the old confederacy did not collect revenues. They could not endow it with the quality of legal tender, because the old confederacy was not a sovereign government. They could not even make it redeemable in coin, as there was no coin to be had. Coin is always absent when most needed. But the patriot fathers had wit as well as patriotism, and they issued the best money

they could. It was rudely executed and easily counterfeited, hence in practice must be unlimited in amount. People were expected to take it as a matter of patriotism. This was the only foundation of that continental money; yet for five years it met the requirements of the country, and Mr. Albert Gallatin afterwards spoke of it as follows: "The paper money carried the United States through the most arduous and perilous stages of the war, and, though operating as a most unequal tax, it cannot be denied that it saved the country." If the American colonies had depended on coin money as a war power, they would have remained subject to the tyranny of King George. American liberty would never have been born.

In the year 1797 coin money of intrinsic value failed in Great Britain. The bank paid out its last silver sixpence, and the nation was on the verge of ruin. A paper money not redeemable in coin was adopted, which met every monetary requirement for twenty-five years, through all the terrible trials of the wars of Napoleon. It carried the country triumphantly through every crisis, conferring on the empire a prosperity and glory unequalled in ancient or modern times. On this subject Sir Archibald Alison says: "It is in these moments of public and private suffering that the paper circulation steps in to sustain public and private credit during the interval when national industry has been paralyzed by the disappearance of the precious metals from circulation. . . . But for its aid the empire would certainly have been destroyed. . . . Had bank notes been rendered scarce when gold disappeared, the nation and all its trading classes would have been bankrupted, and we should long since have been a province of France."

In the year 1813, during the wars of Napoleon, coin utterly failed to meet the needs of the Allied Armies on the continent of Europe. England, Russia, and Prussia issued a joint paper money, which supported the armies, broke the power of Napoleon, and saved the continent. The late Judge Martin, in his work on "The Money of Nations," says: "It met the emergency as coin could not." Mr. Alison says: "It passed as cash from Kamtschatka to the Rhine, and brought the war to a successful issue. . . . Without this paper money, the vast armaments of the Allies would have been dissolved for want of funds for their support."

During our war of the rebellion there were three kinds of war money which stood the shock of arms to the end. None of them were coin. Coin left the field within the first six months. The revolutionary government of the South issued the best paper possible for such a government. It was precisely as good as the issuing power—no better, no worse. It was a brave money—far better than cowardly coin. It stayed with the armies, and fought with them to the bitter end, and went down with them on the field of battle. That paper money of the South was rudely executed and easily counterfeited. This, of course, made it practically impossible to limit the volume in circulation; and as already stated, an unlimited money is a worthless money. Money is valuable in proportion to limitation. If it is possible, the counterfeiters will inflate the money to the point of worthlessness, as in the case of our continental currency and the French assignats. In the North there were two sorts of paper money. The first sixty millions were receivable in the revenues of the government the same as coin, and legal tender for all debts. That money was preferred to coin during the war, and as long as it circulated. Another class of paper money issued during the war, known as greenbacks, was not receivable for duties on imports nor for interest on the public debt. It was like any other useful machine with a number of important bolts left out. It went below par as compared with coin, or as compared with paper without these legal disabilities. It sometimes went below fifty cents on the dollar, because of its legal disabilities and from no other cause. Yet, such as it was, all the Shylocks and the armies of the South were beaten by it at one and the same time. All agree that the greenback saved the life of the nation. With gold only, the armies would have been paralyzed, and anarchy would have prevailed. It would have been a contest of swords, after the manner of savages, with little union or adhesion on either side. Money is the instrument of association. Without money there is no cohesion, and disintegration must ensue. A perfect money will remain at its post in times of danger. Intrinsic money will not do this.

Thus far I have discussed the power of the purse when supporting the sword. But these two war powers may and do act separately. Among savages the sword power acts without the purse. In other cases the purse is seen to act

alone, with tremendous effect, far exceeding in results the conquests of the sword. Let me illustrate: Suppose Great Britain should send an iron-clad to the coast of New Jersey and capture a bit of sandy beach on which to erect fortifications, and over which to float the British flag. How our American blood would boil. That bit of worthless sand would be reclaimed if it cost the life of every able-bodied man in America. But on the other hand, British landlords have sent that other war power, the purse, into the very heart of this nation, and have captured many thousands of acres of the best lands on the continent, without boiling our American blood to any alarming extent. Why would Great Britain capture this country with the sword? The answer is plain: That she might levy tribute on our people. Why do British landlords capture our lands with the purse? The answer is equally plain: That they may levy tribute on our people.

Let us examine a few facts as they exist to-day, black and potentous, in this land of boasted freedom. One William Scully, a British landlord, has sent his purse to America, and has actually captured some ninety thousand acres of the richest lands in the State of Illinois; and it is said that the American citizens living on those acres are compelled to pay two hundred thousand dollars per annum to that British landlord for the privilege of cultivating the American soil on which they and their children were born. That is a greater tribute than King George expected to exact by the sword, in the days of 1776. That same landlord, William Scully, of London, has captured seventy thousand acres in Marshall County, Kansas, and other thousands of acres in other parts of that State. All this is done by that war power known as "the purse." It is done that Mr. Scully may levy tribute on the people of America; that his children may levy tribute on our children, and that his grandchildren may levy tribute on our grandchildren, and so on down to the latest generation. What more could Mr. Scully do with the sword, if he had all the armies of Europe at his back? In some parts of Colorado the people of that State are paying tribute to European landholders for every blade of grass cropped by their cows and other animals which are necessary for the support of their families.

The public highways of a nation are said to be the property of the people. Their ownership is deemed so

important that wars are often waged for their possession. The United States originally paid millions of dollars for the possession of that highway known as the Mississippi River. At a later date the country spent hundreds of millions of treasure, and poured out blood like water, in order to retain that great public highway of travel and commerce. I mention these facts to show the high estimate that is usually attached to the possession of the great public highways of the country. Yet, strange as it may seem, we have in this country one hundred and sixty thousand miles of the most valuable and indispensable highways known to man, which are bought and sold as commodities of commerce. The railroads of this country are bonded and stocked to an aggregate of about ten billions of dollars. The owners of that capitalization are called the owners of the roads. They have entire control of the roads, and of the travel and traffic of this great country. The longest purse takes the pile (or a controlling interest in it), and becomes master of the situation, "levying tribute at will on all our vast industries." There is ample evidence to prove that, at this moment, a controlling amount of the capitalization of our American railroads is held in the city of London, and that the freights and fares paid by Americans are fixed by a British directory. Such a statement is humiliating, but it is, nevertheless, true.

I have now shown the nature and power of money, both for good and evil. The question next arises, How can we enjoy the good without suffering the evil? I reply, We must nationalize the money. We must, as much as possible, keep it in the hands of the people and under their control. We must not permit its issue by individuals nor by corporations. The issuing of money by the government is a prerogative of sovereignty. The money must be maintained in ample, even, and unfluctuating volume. To do this it must be free from a single commodity basis. It must rest on the broad basis of government revenues and on all commodities. Its even distribution in society must be favored in every practical way. This may be done by the arrangement of taxation, so that the burdens will fall heaviest on those best able to pay; not on the poor nor on the products and creations of industry, but on the large incomes, the large legacies, and the large landed estates of the rich.

All this can be done by and through the finances; and it

is much. But we must go further. We must free the lands of the country from capture by the purse of the monopolists. The homes of our people and the heritages of our children must not be exposed to the depredations and spoliations of the money power of the world. Land must not be treated as a common article of traffic in the world's commerce. We must move in the direction of that happy day when the poorest man will have and hold his small home free from the invasions of the sheriff and the tax collector; and when "occupation and use" will be recognized as necessary ingredients in title to land. We must move in the direction of that just and safe era of public repose when neither the lands of the country, nor the public highways, nor any other necessity of society will be exposed to the corquests of either the sword or the purse. Both are fatally dangerous, the latter especially so, because of its secrecy, pover, and merciless cruelty. It is like the beast in the Apocalypse: it has the horns of a lamb, but the speech of a dragon. With innocent guise, it is endowed with the venom and savagery of the serpent. This, then, is "The Money Question." It is the blood or the bane, the life or the death, of civilization.

The changes in the volume of money, the expansions and contractions of the currency of a nation, cannot be properly discussed within the limits of this paper. That part of the subject is worthy of a separate consideration. There is a power in money which no human agency can resist, merely through changes in its quantity. There is no engagement, national or individual, which is unaffected by it. The enterprises, of commerce, the profits of trade, the arrangements in all the domestic concerns of life, the wages of labor, the transactions of the highest and lowest amounts, the payment of debts and taxes, are all affected by the quantity of money in circulation. There resides in money the most enormous power known to man. It is the tide in human affairs upon which all things must rise or fall. It is as irresistible as the wings and wheels of commerce on the high seas and the broad continents. More powerful than the thunder blasts of armies that throb upon the ocean, or the tread of continental armies; and this mighty force is self-acting in all the large and small transactions of men. This is the concurrent testimony of the ablest writers. Such a subject deserves

attention. Nevertheless, to prevent its study, the "communism of capital" is arrayed in solid phalanx. The Shylocks well know, if the people come to understand its import and its simplicity, their trade will suffer damage. The owners of gold will be shorn of their power over nations and men. The great Temple of Diana will be shaken by the ground-swell of rising humanity asserting its rights, and her votaries will cry out in behalf of their vocation. They will mystify the subject with every art and device of Satan, and blacken the names of the people's teachers with all the lies and epithets so familiar to them. Yet, in spite of their rage and terror, "The Money Question" remains a leading factor in the problem of civilization, and it must be taken into account by all peoples and nations engaged in solving that important problem.

THE RAILROAD PROBLEM.

BY LIONEL A. SHELTON.

No subject of a material character occupies a higher place in public consideration than that of railway transportation, and no business so completely pervades the whole country and affects the interests of every inhabitant. The producer, consumer, the men of trade, and investors in railroad securities are especially concerned; and the subject is constantly under discussion in business and social circles, in popular assemblies, and in newspapers and magazines. Railroads are daily drawing from the people large sums of money which absorb the profits of producers, enhance prices to consumers, and notwithstanding the immense aggregate earnings of the roads, bond and stock holders in many cases are not satisfied with what they receive upon their investments. Conditions are unsatisfactory all around, and the highest railroad officials are giving study to the question with a view to the development of some plan that will pacify clamorous elements. When so much thought is aroused it is natural that suggestions should be numerous, that valueless or impracticable schemes should be proposed and find strenuous advocates. That the best solution will ultimately be discovered cannot be doubted, and every contribution to the investigation will tend to throw light upon the subject, and hasten the achievement of a final and satisfactory result. The sensible physician makes a diagnosis of the disease, and a discovery of the cause, before he prescribes a treatment. After the evil in railway transportation has become understood, it may not be difficult to devise a plan for its successful removal.

The evil is not that the character of the service is bad, for as a rule it is excellent, considering all the circumstances under which it is rendered, and railroad managers deserve commendation for the ability and energy displayed in improving it. It is not, as formerly, discrimination against individuals and places, though it is still surreptitiously practised

to some extent where rates are agreed upon to common points by competing roads. The laws of Congress and the States prohibit discrimination, and they are enforced so as to prevent open violations. It is not instability of rates which was in former times a serious grievance. The laws encourage stability, and it is to the interest of the roads themselves to avoid fluctuations as much as possible, and to that end traffic associations are formed whose action is supposed to be binding upon all the represented companies. Rate wars sometimes occur, but they are constantly becoming less frequent and shorter in duration. The real evil is the high rates that are charged for transportation, and it is this of which producers, consumers, and commercial men complain. Notwithstanding they seem to be exorbitant, bond and stock holders are not satisfied with their gains, and railroad managers not infrequently clamor for better rates. The important question is how can they be reduced so as to relieve the masses from the burdens they now bear, without doing injustice to those who have invested their money in railway securities. Rates are made on the theory of earning enough to pay operating expenses, fixed charges, and as large dividends as possible upon the stock. Managers operate the roads with these ends in view, and the larger the dividends the greater becomes their reputation. Volume and character of traffic are important elements to be considered in prescribing rates. Officials are employed to promote the interest of the stockholders, and therefore they look to one side of the question. The interests of the public, being in conflict with those of the security holders, are at best subordinate considerations. The principle upon which rates are made seems fair, but it is important to go behind appearances and endeavor to find out whether there is not a state of facts which renders appearances deceptive. For many years the whole country was afflicted with a craze for railroads, and little attention was given to the manner of securing them. The most liberal pecuniary and legislative inducements were offered for their construction. Crafty men took advantage of this favorable public sentiment and projected roads in profusion, sometimes for the purpose of promoting the settlement and development of the country, and occasionally in the hope that business would grow to a magnitude that would make the operation of the roads profitable, but more fre-

quently for the purpose of acquiring fortunes in their construction. It is undoubtedly true, as has often been asserted, that they were built too rapidly, and it is equally true that they were too expensively constructed. Few of them were designed for operation by the projectors and builders, and it was a favorite idea, when practicable, to parallel existing lines that sales might be made at enormous prices to those who wished to avoid competition. The craze of the people for railroads was supplemented by the ease with which railroad bonds could be disposed of in the markets. West of the Mississippi River it was well-nigh universal that roads were bonded for much more than they cost or were worth, and the stock was issued to first holders without any pecuniary consideration whatever. Excessive capitalization was the result. It has been increased through subsequent consolidations, for when one road has been absorbed by another it has been customary to issue the stock or bonds or both of the new corporation beyond the aggregate of those of the old ones. When roads have become bankrupt or embarrassed, reorganizations have been effected by increased capitalization in order to harmonize conflicting interests. It is estimated, and probably with approximate accuracy, that railroad bonds and stocks in the aggregate are double the cost of the properties, and certainly double what they are now worth, if valued upon the basis of what would be the expense of reproducing them. Over-capitalization, in considerable part, is the cause of high rates, for the design in making rates is to earn enough to assure a satisfactory income upon it all. The effort is not successful in all cases, but it is beyond doubt that a considerable part of the excessive capital receives an income from the money which railroads draw from the people. Mr. Sidney Dillon points to the fact that a few years ago the average income upon railroad bonds and stocks was seven or eight per cent., and that it has fallen to three or four per cent., and he bemoans the misfortunes of those who hold railroad securities. When confronted with the allegation that capitalization is excessive, he enters a plea of confession and avoidance by saying that "Capital is an uncertain quantity." The position is correct as to capital that is fictitious or fraudulent, but not as to any other. The effort of railway managers has been to render fraudulent and fictitious bonds and stocks as valuable as the genuine by

imposing rates that will assure the same remuneration to both classes.

The expenses of operating bear upon the question of rates, and it is legitimate to inquire whether they are more than they should be. The ease with which ponderous fortunes were suddenly acquired in railroad construction and operation created widespread cupidity. Railway directors were generally men who had acquired fortunes in constructing and operating railroads, and hence they were disposed to be liberal in their views as to the worth of the services of the railroad officials. Salaries were made very large, far above those paid public officials or to those engaged in any other pursuits. Though income from railway securities may in percentage have become less, salaries have not been reduced; on the contrary, in many cases, they have been increased. There has also been an increase of officials, especially of those who are assigned to duty in connection with traffic associations, which are institutions that would be unnecessary if railroad companies would be honest as between themselves, and considerate of the public interests. There is no complaint on account of the prices paid for materials or salaries paid to subordinate officials or wages to laborers. Inordinate salaries as well as excessive capitalization contribute to the imposition of unjust charges for transportation. There is another feature to be hereafter discussed which renders the operation of the roads more expensive than is necessary. Railway corporations are not created for private benefit merely, but to subserve the public interests as well, and the people have a right to inquire whether they are called upon to pay more than a reasonable compensation to the carrier. Agitation of this question will continue till a solution is reached which is reasonably satisfactory to the patrons of railroads. There is no disposition among the masses to reduce compensation for services below what they are worth, nor to deprive legitimate capital of fair remuneration.

It has been a prevalent idea that competition is a panacea for high rates, and there are those who still cling to that delusion. If competition were to have full sway there can be no doubt that rates would be so reduced that no more than a reasonable profit would be realized, but it has become a thing of the past, a phantom. In many branches of trade it has been superseded by trusts, and in railway transportation

by combination. There was a time when railroads did compete and lowered rates to get business, but it was soon discovered that it defeated the end the managers had in view, and that was to earn the largest possible dividends upon the stock, however fictitious or excessive it might be. They hastened to adopt means of avoiding competition, and began by agreeing upon common rates to common points. Pooling followed in order to insure good faith, and consolidation of lines was resorted to not only to facilitate the business and promote economy but to prevent rate cutting. Lastly, traffic associations were invented which control rate-making for the great mass of the roads in the nation which are engaged in inter-state traffic. Competition and monopoly are incompatible forces, and the latter has already gained such ascendancy that it practically dominates the business of the country.

The principle of the common law that the carrier is entitled to a reasonable and just compensation, to be determined by the court and jury, was efficacious in protecting the public when transportation was carried on by simple means. The facts were few and easily established by proof. Comparatively little capital was necessary, expenses were small, and the profits could be arrived at without difficulty. The capital invested in railways is immense, expenses are large and embrace voluminous items, and the traffic covers that which is local and inter-state, and is variable in volume. Rates are based upon a consideration of all these conditions, a knowledge of which would be necessary to enable a jury to decide justly. To place all the facts before a jury would prolong a trial beyond ordinary court terms. Suits involving the question of the reasonableness of compensation would relate generally to single shipments, some of which would be unimportant in value, but nevertheless the character of the trial would be the same as if a large amount were involved. Complete justice could not be done unless the inquiry extended to the necessary capital, eliminating the fraudulent and fictitious, to the question whether expenses were not too great on account of the payment of inordinate salaries, to the volume and character of traffic, including the percentages awarded the several lines which participate in it. The ablest and most expert traffic officers cannot determine (and they do not attempt it) the cost of a single shipment nor the pro-

portion it should contribute towards compensating for the capital invested. A jury would be unable to do what traffic officers regard as an impossibility.

The impracticability of trying such cases before a jury or a judge is so apparent that the attempt is almost never made. Such suits are among the rarest in the calendars of courts. Legislatures consequently have enacted laws prescribing maximum rates as a means of protecting the people against exorbitance. Commissions have been created with advisory or regulative powers. The idea is to have officials charged with the duty of giving time and study to the rate question, that they may be able to prescribe such as will be just to all concerned. And hence it has been suggested that the best protection against unjust charges is to confer the power upon the national and State commissions to prescribe rates, the former upon that which is inter-state, and the latter upon that which is local. The suggestion is worthy of consideration, and may be most effective so long as transportation is carried on under the management of a multiplicity of corporations. It will be somewhat difficult to secure uniformity of action on account of differences of circumstances and conditions. The older States have generally conferred upon their commissions only advisory powers, while the new States have conferred regulative ones, and some of the States are without such officers. In the sparsely settled and less productive sections the cost of building, and the expense of operating railroads are greater, and the volume of traffic is smaller than in many of the populous and more productive localities. It is not probable, therefore, that there would be uniformity of rates, and it would not be so material as to local or State traffic, but as to that which is inter-state the trouble would be more serious.

The national commission would have to inquire into the capitalization and operating expenses and volume of traffic of all the roads in the country, and apportion the percentages that each should receive upon or through inter-state traffic. The plan, if intelligently and faithfully executed, would relieve the present burdens of the people to the extent of reducing the expenses of operating by cutting down inordinate salaries, and the income upon capital to that which is reasonable; but this would not be all that should be accomplished in the interest of the public.

There are six hundred railroad corporations in the nation, and each has a corps of officers to be paid from the earnings of the respective properties. The expense of maintaining them is more keenly appreciated by railroad managers than by any other class. To avoid this expense has been and is, in part, the motive for systematization. The idea of consolidating all the roads of the country and placing them under one management is more prevalent than appears upon the surface. Mr. C. P. Huntington, president of the Southern Pacific system, than whom there is not an abler or more experienced railroad man in the country, is an open advocate of consolidation. It would dispense with the salaries of five hundred and ninety-nine presidents, a great many general managers, and chief engineers, a large number of attorneys and traffic officers. There would be no need for freight and passenger solicitors nor commercial agents. The number of ticket and freight agents could be materially reduced, and the rental of numerous offices saved. The occupation of traffic associations would be gone. Fewer engines and cars would be required, as there would be no returning of "empties" because they belonged to a foreign road; and freight blockades would nearly disappear, for freights could be routed over the freest lines. Under present conditions each company clings to its own, regardless of the delays from blockades on its line. All employees, engaged in keeping foreign car accounts, and in adjusting division of earnings on through business, could be discharged. These general statements indicate what might be done if economy were faithfully carried into all the details of the business.

If all the roads were embraced in a single system, making of rates would be a simple operation. They could be made equal in all parts of the country, based upon distance. It would make no difference if one branch or line failed to earn its share of operating expenses, and the proportion it should contribute to the income upon the capital, as other branches or lines would make up the deficiency. The traffic department would estimate the expenses, and fix the rates, so as to produce earnings to pay them and leave a balance sufficient to reasonably compensate capital, and to make necessary betterments and extensions. There is no good reason why the people in one section should be taxed more for rail transporta-

tion than those of another, and there would be no need that they should if consolidation were accomplished.

In attempting consolidation there are obstacles to be surmounted. As has been said many roads are over-capitalized, and there is far from being equality in earning power. Many bond and stockholders would be called upon to abate from the face value of their holdings, and others would probably demand a premium. The holders of depreciated bonds and stocks are usually hopeful that the growth of the country and the consequent increase of business will appreciate their value. This difficulty has been experienced in the systematization that has already been accomplished, and in the reorganization of bankrupt or embarrassed roads. It may be that consolidation would not be voluntarily assented to without an increase of bonds or stock, or both, to be distributed so as to produce harmony. Such a step would aggravate the evil of excessive capitalization, and would not be satisfactory to the public. Consolidation should proceed upon the theory that the bonds and stocks are worth no more than the properties, and that all roads should be put in at their actual value, which would be the cost of reproduction, and a proportionate share of the new securities distributed upon that basis. If this were done there would be no incentive to exact from the public to pay income upon any but genuine capital.

There probably will always be a controversy over the question of the compensation that should be awarded to capital. The publicists hold that interest rates should be governed by the inconvenience and hazards to which the lender is subjected. The same principle may properly be applied to the investment of money in any business enterprise. Under consolidation upon the basis stated, investments in railroad securities would be less hazardous than they are under existing conditions. With good management, earning of a fair income upon reasonable capitalization would be a certainty. Interest rates are receding from what they were a few years ago, and a fixed and perpetual income of two or three per cent. is all that should be allowed or asked. With such reduction of expenses as may be made, and a limitation of income upon capital to two or three per cent. the railroads would be enabled to reduce present rates perhaps to one half what they now are for production, commerce would be stimulated, and the business of the roads would be immensely

enanced. Every intelligent railroad man knows that increase of traffic does not require a proportionate increase of expenses. Capital is greedy and not altogether conscionable. It usually takes all it can get. Hence it would not be safe to leave rate making entirely to the parties interested. Government supervision should be retained and exercised to the extent of enforcing economy in expenditures, and restricting compensation for the use of capital to a reasonable percentage. Consolidation would so nationalize railroad transportation that this supervision could properly be taken into the hands of the general government, which would insure simplicity and uniformity. The adherents to the extreme "states rights" doctrine might object to placing the railroads under national control, which would be more or less of a difficulty to overcome; however, there cannot be much left of that sentiment since the States have all authorized consolidation of their own roads with those of their neighbors, and as the larger part of the traffic is inter-state, and by the approval of all political parties, Congress has assumed and exercises control over it. Internal traffic has become too immense to be circumscribed by State lines or restricted and hampered by State laws.

If consolidation cannot be effected in a manner that will be just to those who own the properties, and afford a guaranty against unjust charges, there is another plan that will assure faithful respect for the interests of the people, and that is government ownership and management. It would be a consolidation of all the roads and nationalization of all railway traffic. That there would be difficulty in acquiring the properties through the consent of bond and stock holders is certain, but the government could enforce consent without doing injustice. If the owners would not part with the roads at the actual value it could charter and build parallel lines. There are undoubtedly those who think that to engage in the business of transportation would be extraneous to the proper functions of government; but it would be done solely in the interest of the public, and not for profit. It would be the people's own business, and under their supervision. They could and would prevent the use of patronage to promote personal or party success. No administration would dare employ it to the public injury, because the cost of transportation comes home to every citizen. It would be an admirable

field for the application of the principles of civil service reform, for much of the service requires expert knowledge. The practicability of government management of railway transportation has been demonstrated in other countries, and it has been shown in this that a large system can be as feasibly operated as a single line. The past history of the government affords a guaranty that the management would be satisfactory in point of ability and fidelity, for in no mercantile or banking establishment in the world is there better method or greater accuracy than has prevailed in all departments of the government, nor is there greater integrity. The postal system is more than continuous with railroads, and it extends to every citizen of the republic. Though the business is as complicated and difficult, it has been generally conducted to the satisfaction of the public, and improvements keep pace with the advance of time. The same reduction of force and of salaries, and all the economies under consolidation could and undoubtedly would be carried out under government management, and reduction of transportation charges could be made the same as under consolidation. If the purchase were made through the issue of bonds bearing a low rate of interest, or if consolidation into a single company were effected, similar bonds could be issued and secured by a mortgage upon the property, which would furnish excellent security in which to invest trust and idle funds, and for use as collaterals on which to effect loans. In all countries where wealth is considerable, it is deemed a wise policy to provide such means of investment. Agitation of the transportation question will not cease until some effective plan is devised which will relieve the people from unjust burdens, and the adoption, either of consolidation or government ownership, seems to be a probable result.

THE SUB-TREASURY PLAN.

BY C. C. POST.

If it is conceded that money, or any substitute for money, as bank bills, checks, drafts, etc., is necessary to the making of exchanges of commodities, then we must either deny the right of those who produce wealth to make exchanges among themselves, or we must recognize their right to make and use such forms of, or substitutes for money, as is cheaper and most convenient to them.

To acknowledge their right to make exchanges but deny their right to make and use the instruments necessary to doing so, is clearly a contradiction. Conceding, then, the necessity of a medium of exchange, money or a substitute for money, we must concede the right of producers of wealth to supply themselves with this medium of exchange, and the question of doing so is reduced to the simple one of how they can most easily and cheaply do it.

It is conceded by all that the volume of gold and silver combined, falls far short of supplying the amount of money needed; and that even when these are coined to the limit of their production, there still remains a need for a further medium of exchange, which must be supplied by paper money in some form and in some way.

Accepting, then, the use of gold and silver, so far as they will go in making our exchanges, we come to the consideration of how the people can best supply themselves with the *paper money* which, in addition to the gold and silver, is necessary to the carrying on of trade and production. I say *paper money*, but if the reader is unable to disabuse his mind of the idea that only gold and silver can be made money, then let him think of the paper issue simply as a substitute for money, rendered necessary by the fact that the supply of gold and silver is insufficient to the needs for a medium of exchange.

Notes issued by State banks have been tried and found to be both inconvenient and expensive.

The declared object of their issue was to supplement the

gold and silver, and increase the volume of currency. But to do this the volume of bank notes issued must exceed the amount of gold and silver kept in reserve to redeem the notes with, otherwise the volume of the currency would not be increased; the rule being to issue notes to three times the amount of the gold and silver dollars which the bank was required by law to keep on hand to redeem with. The theory by which the supporters of these State banks of issue defended the scheme was, that not more than one third of those who held the notes of the banks would ever demand payment at one time. But this not only enabled the banks to draw interest upon their own indebtedness to the holders of their notes, but disaster frequently followed from the inability of the banks to redeem their notes on demand. The very fact being known that the banks could not redeem their promise to pay if called upon to do so by more than one third of their creditors, made all creditors suspicious, and upon the first evidence of any weakness on the part of the bank everybody who held any of its notes rushed in to secure payment upon them, knowing that only those who came first could by any possibility be paid.

Thus not only were the people compelled to pay exorbitantly for what were at the best but very unsatisfactory mediums of exchange, but the whole country was periodically plunged into bankruptcy through the failure of the banks, resulting in panics and depressions of trade and production.

The notes of the national banks are more perfect mediums of exchange than were those of the State banks, but only so because the government has endorsed them, thus making them, in a measure, a legal tender. They are, however, unnecessarily expensive to the exchangers, and the monopoly of their issue has given to the monied interests of the country a power already so great as to endanger the *very life of the republic*.

The bill authorizing the establishment of national banks was passed in February, 1863, but at that time the people were being supplied with their medium of exchange direct from the government, in the shape of greenbacks issued and put in circulation in payment of supplies for the army, and all other expenses of the government. Their total cost as mediums of exchange was the expense of printing and the paper upon which they were printed, yet they performed all

the service of the old State bank notes common before the war, or of the national bank notes now in use; and as there were enough of them to answer the demands of business, the banks could not have loaned their bills had such been issued at that time, and but few were issued until at the close of hostilities, when, in order to enable the banks to loan their notes, the government burned the greenbacks, and the people being deprived of them, were compelled to borrow the notes of the banks. The government printed these bank notes just as it did the greenbacks, and furnished them to the banks at cost, or one per cent. per year.

The manner of doing this was as follows: Those desiring to start a bank obtained possession of, say one hundred thousand dollars in greenbacks. These they took to Washington and loaned to the government at six per cent. per annum. That is, they bought a government bond, bearing six per cent. interest. They did not, however, take the bond home with them. They simply had a record of the fact made, that they had loaned the government one hundred thousand dollars at six per cent. interest, which interest the government paid them a year in advance. Then the government burned the one hundred thousand dollars of greenbacks, and printed other notes which looked so nearly like the greenbacks that no one would be likely to think much about the difference, and loaned ninety thousand dollars of them to the bank at one per cent. per annum, retaining the bond purchased by the bank as security, but still paying interest upon it at six per cent. The profit to the bank and consequent loss to the people in thus exchanging greenbacks for bank notes is, up to this point, the difference between one per cent. on ninety thousand dollars for a year, paid by the bank to the government, and six per cent. upon one hundred thousand dollars for the same length of time, paid by the government to the bank, which difference is fifty-one hundred dollars. This difference is, however, slightly increased by the fact, that while the government paid the six per cent. to the bank in advance, the bank paid the one per cent. to the government in two instalments, one half of one per cent. at the end of the first six months, and the other half of one per cent. at the end of the year.

The bank now had the ninety thousand of newly printed notes, and the six thousand dollars of interest money, and

as the government had burned the one hundred thousand of greenbacks, and as the people must have money or a substitute for money, to make their exchanges with, they were compelled to go to the bank and borrow these notes, and to pay eight or ten per cent. per year for their use. Thus was the national banking system established, the only change of any importance made since then, being in a reduction of the interest paid by the government upon the bonds deposited by the banks as security for their notes, that having been reduced from six to four per cent. per annum. The bonds are and always have been relieved from taxation, as are also the notes loaned the banks, and the government insures the safe keeping of the bond, and if burned or lost, replaces it with another one without cost to the bank, while there is no evidence to show that the banks are not the gainers by every dollar of their bills lost or destroyed in any way.

In order to ascertain, then, what is the cost to the exchangers of the national bank note as a substitute for money, we must add to our first count the profit to the bank of whatever the bank receives over and above the cost of making the note, for this is profit to the bank, and loss to the exchangers; the cost to the bank cannot be figured at more than the one per cent. per annum paid to the government, and this might justly be reduced by the item of profit from loss of notes which it may never be called upon to return.

The bank then gets from the government, the use of a dollar bill one year for one cent, and for one hundred dollars for a year it pays one dollar; this being the supposed cost to the government of printing the bill, and keeping a certain supervision over the bank. Now the bank loans a one dollar bill a year for from eight to twenty-four cents and even upwards.

If, then, the bank loans for eight cents the note which the government furnished it at one cent, the bank makes a profit of seven cents on an investment of one cent, or seven hundred per cent. on its investment. If it gets twelve per cent. on the dollar then it makes eleven cents clear on one, or eleven hundred per cent. on its investment of one cent, and proportionately on all loans at higher rates.*

* The interest paid by the government to the banks upon the bonds which are deposited as security for the notes loaned them is greater than the average annual increase of wealth in this country. It is greater than the farmer receives for the money which he has invested in land and the implements of tillage. Greater than

A neighbor of mine wished to borrow fifty dollars to pay his cotton pickers, and went to the bank, offered cotton as security, and was given the loan at one per cent. per month, equal to twelve per cent. per year. The note which he received from the bank was a fifty-dollar note which the bank had just received, fresh and crisp from the government printing presses at Washington, for the use of which for one year, the bank was to pay, but had not yet paid, the government fifty cents. Yet for the use of that same bill, for the same length of time, the bank collected from my neighbor six dollars and took it in advance: a clear gain to the bank of five dollars and fifty cents, on an investment of fifty cents.

While in Dakota recently, a farmer informed me that he had just borrowed sixty dollars for thirty days at a rate slightly above four per cent. per month, being compelled to borrow to save being sold out by the sheriff. If allowed to keep this sixty dollars at the same rate for one year without compounding he will have paid \$33.60 for what the government furnished the banker for sixty cents, a profit to the bank of \$33 on a sixty-cent investment. To pay this the farmer must sell wheat at eighty cents per bushel or less. In other words, this producer of wealth, in order to exchange wheat for other commodities must give forty-two bushels of wheat for the use of sixty dollars of the medium of exchange, which the government furnished the bank for sixty cents.

It is evident, then, that the people cannot get medium money, or a substitute for money, cheaply, through bank of issue, either State or national. So long as the banks have a monopoly of issuing money notes no statute law forbidding the taking of more than a certain rate of interest will be of much effect, since by refusing to loan at that rate they can compel the giving of higher rates, and silence all outcry at their violation of law by threats of refusing to loan at any

the merchant obtains upon the capital invested in trade, or the manufacturer (not a member of any trust or combine) obtains upon his investment after the payment of running expenses and a fair compensation for his labor and superintendence. The fact that millions of dollars of bonds are held simply as an investment, and that they are at a premium proves that the interest paid, coupled with their exemption from taxation, makes the bonds a good investment aside and apart from the ability of the bank to obtain a loan upon them, at one per cent. The one cent which the banks pay for the use of each dollar furnished them by the government is, therefore, all they can be said to pay for the loan made them, and if they loan for eight cents that which cost them but one cent, it is seven hundred per cent. profit upon their investment. At eight per cent., then, for notes borrowed of the National Banks, the people pay seven times as much as they should for their tools of exchange, and proportionately more if higher rates of interest are paid.

price to those who make the outcry. How, then, can the people cheaply obtain the money, or money notes necessary in addition to the volume of gold and silver with which to do the business of the country?

There are but two ways in which it can be done. Either the government must permit the individual citizen to issue scrip, based in some manner upon his own labor products, or it must itself supply him with money notes at cost, as it now furnishes them to the banks.

It is not necessary to enter into an argument to show that for each individual to print and use as money, scrip, or notes based upon his private property would be an unsatisfactory solution of the question. Such scrip could not circulate beyond the very limited circle in which the individual issuing it was known, and though it has occurred, as in the first years of the war, that such scrip has served for a time a very useful purpose, it is not well to depend upon it for a permanent currency.

The one remaining means, then, by which the people can obtain their money notes cheaply, is for the general government to furnish them direct to those who wish to use them in making their exchanges, and to do so at cost of making and supervising.

There is nothing smacking of paternalism in this proposition. On the contrary, it is in fullest harmony with the Democratic idea of government, i. e., that what the individual can do for himself he shall be permitted to do without government interference; but that which he cannot do as an individual, or by association with any number of his fellows less than the whole, yet which is necessary to the prosperity of all, the government shall do for all. The necessity for a paper medium of exchange in shape of money notes is undisputed, the inability of the individual citizen to supply himself with them is conceded. It remains, then, the plain duty of government to furnish the supply needed, and to furnish it at cost, and directly to those who wish to put it to the use for which alone it is created.

To do this without injury to any citizen the individual who receives it may be made to pay the entire cost of its creation; the advantage of receiving first use of it being regarded as an equivalent for thus placing the entire burden of its cost upon him.

He must also give ample security, and must repay the amount received, together with all cost attending the loan, within a reasonable length of time, say six months or a year. When returned to the government the notes may be burned, and the whole transaction so brought to a close. This would answer any objections that might be raised of its being "irredeemable," "flooding the country with paper money," etc., etc.

Having decided upon a direct issue of notes to the producers and exchangers of wealth, the government must decide upon how much shall be the limit of loans, both to the individual borrower, and as a sum total of the notes to be thus put into circulation, and also as to the security which it will require upon loans so made. The sum total of all loans should be that amount, at present an unknown quantity, which will fill the channels of trade and commerce, and make money "easy," to the poor as well as the rich, to those who labor by the day as well as to those who carry on large manufacturing and other enterprises. When money is so plenty that the farmer or planter who has need of fifty or one hundred dollars can obtain it for thirty or sixty days of a neighbor, as easily as he can borrow that neighbor's wagon to haul a load of grain to town, then there will be plenty of money in the country and not before; for the sole legitimate use of money is to enable the people to produce and exchange wealth to the best advantage; and to compel a farmer or other producer to pay a greater price for the medium of exchange than its natural cost, is unjust to the individual citizen, and bad public policy.

When the channels of trade are full of money or money notes, there will always be in every community some persons who, while waiting to decide just how they wish to spend the proceeds of their season's crop, or last sales of manufactured goods, will have on hand some portion of money which they can and will loan to their neighbor, for a few days or a few weeks, as a neighborly accommodation; doing it without loss to themselves, and to the advantage of the borrower.

That the exact sum which will be required to fill the channels of trade is unknown and unknowable at present, I readily concede; and wisdom would dictate that the sum first provided for and issued should be limited in amount and be loaned to the citizens of the States in proportion either to the per

capita population or the amount and value of their productions. The proposition of the alliance is that the first issue be to the amount of fifty dollars per capita; that being slightly less than the per capita amount in circulation at the close of the war. If this was found to be too little it could easily be added to by further issues at a later period. The danger of an over issue is, I think, less than would at first appear; as when the channels of trade are full, there will, as I previously remarked, be those who, having sold, will not wish immediately to buy again, and they will be prompted to make accommodation loans at not to exceed the rate at which it is supplied by the government, and at less cost in trouble to the borrower of giving security; but as it is desirable to guard all points carefully, a per capita limit would be a wise provision and should be made.

Equally careful consideration should be given to the question of security. The loans must be upon such security as the people have to give. The proposition contained in the sub-treasury plan is for loans upon non-perishable farm products. This might properly be extended to manufactured articles if some way of determining with certainty their market value could be arrived at. The proposition for loans direct to the people by government, came first from the farmers, and naturally their attention turned to their own productions as a basis of credit.

The bank of France regularly loans upon non-perishable farm products, and has done so for half a century.

The entire business of the Southern States is done upon credit, and the basis of all credit is the cotton crop. Cotton stored in any suitable place, and insured in any responsible company is regarded as the very best security possible.

Wheat and corn, like cotton, form a perfectly safe basis for loans, by the government, when properly stored and fully insured; the loan not to exceed a fixed per cent. of the market value of the security loaned upon at the time the loan is made, say eighty per cent., the government reserving the right to sell that upon which security is given if at any time the market price drops to within an unsafe margin of the amount loaned, first giving an opportunity to the borrower to add to the security or return a portion of the loan.

Real estate at eighty per cent. of value, exclusive of buildings, would also be perfectly safe security for government

loans. Many States have loaned school moneys upon real estate security and have found it a safe investment for a fund, the interest upon which it was alone thought desirable to expend annually. Loans, however, should not be made in large sums upon large estate, the object being to furnish a medium whereby the people may make their exchanges rather than to enable these already rich to increase their possessions.

The expense of such a system of government loans need not be greater than that of the present banking system. The one per cent. paid by the banks upon the loans received by them not only covers the cost of printing the notes loaned them, but includes the cost of examining and supervising the banks. There is no reason why the loan and supervision should cost more if made to the people instead of to the banks, and upon real estate, non-perishable products, or manufactured articles than upon government bonds.

If it should be deemed necessary that the government erect warehouses for the storage of those non-perishable products upon which it made loans, then an appropriation of public moneys would be necessary, the same as is now done for other public improvements, for post-offices, custom houses, and bonded warehouses.

It is by no means certain, however, that the government would need to build warehouses for the storage of those products upon which it is desirable that loans should be made. Private warehouses with capacity sufficient for many millions of bushels of grain already exist, and others would be built by private enterprise sufficient to meet all demands for storage under the plan of loans proposed if it should be thought unwise for government to build them. As in either case the party receiving the loan would be compelled to pay storage and insurance charges, it would make little difference to the borrower whether the government or private individuals furnished the storage facilities.

I deem it unnecessary in the face of the fact that the government has, for twenty-five years, made loans to one class of our citizens — the banker — to make an argument to prove the constitutionality of the proposition that it shall now loan to others. If it is denied that loans are made by the government to the banks; I reply, call it what you will, what we demand is, that the government do for the producers of

wealth and those engaged in legitimate trade, what is now done for the banks, namely: furnish them with notes which shall act as a substitute for money, and furnish it at cost of printing and supervision. In strict truth it is not a loan to the banks, and would not be to the people. The government is nothing out. It simply certifies that the party to whom the notes are issued is good for that amount, and that the government, having itself been made secure, has endorsed the notes, and thus made them good with all who believe the government to be solvent. To put it out of the power of the allied corporations to discriminate against such notes, and to make certain their always remaining at par with gold, they should be made a legal tender. To make them above par with gold it would only be necessary to provide that all indebtedness to government growing out of such issue and loans should be paid only in such notes.

A cry has been raised in certain quarters that there would be class legislation; let us examine this point. To give one citizen, or one class of citizens, advantages denied to others, is class legislation. The laws under which a few persons are permitted to borrow of the government at one per cent. while all others are compelled to borrow at an advance of those to whom the government loans, *are class laws*, and are in violation of the spirit of our Republican government, *and destructive to the equality of opportunities upon which alone rests our Democratic institutions.*

Quite different is the proposition contained in what is known as the sub-treasury plan.

Based upon the natural right of the producers to exchange wealth, and upon the inability of the individual to make the instruments necessary to the making of those exchanges, it is a demand that the government do for all its citizens that which is equally necessary to the prosperity of each.

It is not necessary, however, that each individual borrow of the government in order that all be equally benefited by government loans, at cost, to the producers of wealth. It is only necessary that government stand ready to loan at cost, upon proper security, whatever amount of the tools of exchange are needed for the transaction of the business of the country.

Thus A, whom we will suppose to be a farmer, borrows one thousand dollars of the government upon his wheat.

The market being supplied for the time, A cannot sell at what his product is actually worth, or at what the consumer will be compelled to pay when he purchases at a later date. It is only a question of whether the producer shall hold the product and get the price which the consumer will pay, or whether some speculator shall step in between the two, and get the difference between what the producer gets and the consumer pays.

If the cost of issuing and supervising a loan be one per cent., then A gives his note with security for one thousand and ten dollars, and gets one thousand dollars in government notes. He is then enabled to go on with any improvements which he wishes to make upon his farm, to purchase his family supplies, or do whatsoever he wishes to do, with that amount of money, except to loan it at an interest greater than he paid. This he cannot do because the government stands prepared to loan others, equally with himself, and at the same cost. A then uses the notes issued to him by the government upon his wheat in making improvements upon his farm, in the purchase of supplies, etc. Those to whom he pays it pay it to others for various articles, the laborer to the merchant, the merchant to the wholesaler, the wholesaler to the jobber, he to the manufacturer, he to his employees, and they expend it in the purchase of food supplies,—possibly the very wheat upon which the loan was made.

At the farthest, within one year, probably within six months, the consumer will be ready for the wheat upon which the loan was made (and the loan upon commodities must not be made for a longer time than one year). The wheat is sold, and the notes received for it (which if not those loaned upon this particular wheat will be similar ones loaned to others) are turned back into the national treasury in payment of the loan, together with ten dollars additional to reimburse the government for its expense and trouble, and the whole transaction is complete. If enough money is thought to be already in circulation, the notes can be burned. If not, they can be re-loaned to others who desire to borrow. All who have used these notes while they were in circulation have been benefited by their use, yet only A was taxed for their issuance. And now one word on *trade with foreign nations*.

Balances of trade, so called, are never paid in money. That which is money in one country, is not money in another. They do not even count money in England in dollars, dimes, and cents; but in pounds, shillings, and pence. England buys wheat, wool, cotton, and other agricultural products. We buy of her manufactured articles, as cutlery, silks, etc., etc. The wheat which goes to England from this country is purchased in America with American money, gold, silver, greenbacks, or bank notes. It is taken to England and sold for English money, specie, or Bank of England notes, and a return cargo is purchased with the English money for which the wheat was sold, and, arrived in this country, the articles purchased in England are sold for American money, greenbacks, bank notes, etc. If at any time a balance is due the banks in one country by the banks in another, it is settled by a transfer of gold or silver, but whether coin or bullion the value is ascertained by weighing it. The stamp upon a coin counts for nothing in the settlement of the so-called balances of trade. The way to bring gold and silver into any country is to produce wealth. And the way to produce wealth is to set all the people at work. And the way to set all at work is to supply them with a medium of exchange at the smallest possible cost, and to put it ready at hand so that no one who has labor or labor products to exchange need be idle. And the only way to do this is through the government upon some plan similar to that known as the sub-treasury plan, which I have outlined above.

"SHOULD THE NATION OWN THE RAILWAYS?"

BY C. WOOD DAVIS.

PART I.—OBJECTIONS TO NATIONAL OWNERSHIP CONSIDERED.

WHEN the paper published in the February ARENA, entitled "The Farmer, the Investor, and the Railway," was written, the writer was not ready to accept national ownership as a solution of the railway problem; but the occurrences attending the flurries of last autumn in the money markets, when half a dozen men, in order to obtain control of certain railways, entered into a conspiracy that came near wrecking the entire industrial and commercial interests of the country, having shed a lurid light upon the enormous and baleful power which the corporate control of the railways places in the hands of what Theodore Roosevelt aptly termed "the dangerous wealthy classes," has had the effect of converting to the advocacy of national ownership not only the writer but vast numbers of conservative people of the central, western, and southern States to whom the question now assumes this form: "Which is to be preferred: a master in the shape of a political party that it is possible to dislodge by the use of the ballot, or one in the shape of ten or twenty Goulds, Vanderbilts, Huntingtons, Rockefellers, Sages, Dillons, and Brices who never die and whom it will be impossible to dislodge by the use of the ballot?" This particular Gould or Vanderbilt may die, as did that Vanderbilt to whom was ascribed the aphorism "The public be damned," but the spirit and power of the Goulds and Vanderbilts never dies.

OBJECTIONS TO NATIONAL OWNERSHIP.

The objections to national ownership are many; that most frequently advanced and having the most force being the possibility that, by reason of its control of a vastly increased number of civil servants, the party in possession

of the federal administration at the time such ownership was assumed would be able to perpetuate its power indefinitely. As there are more than 700,000 people employed by the railways, this objection would seem to be well taken; and it indicates serious and far-reaching results *unless* some way can be devised to neutralize the political power of such a vast addition to the official army.

In the military service we have a body of men that exerts little or no political power, as the moment a citizen enters the army he divests himself of political functions; and it is not hazardous to say that 700,000 capable and efficient men can be found who, for the sake of employment, to be continued so long as they are capable and well-behaved, will forego the right to take part in political affairs. If a sufficient number of such men can be found, this objection would, by proper legislation, be divested of all its force. At all events no trouble from such a source has been experienced since Australian railways were placed under control of non-partisan commissions, such a commission having had charge of the Victorian railways since February, 1884, or a little more than one term, they being appointed for seven years instead of for life, as stated by Mr. W. M. Acworth in his argument against government control.

The second objection is that there would be constant political pressure to make places for the strikers of the party in power, thus adding a vast number of useless men to the force, and rendering it progressively more difficult to effect a change in the political complexion of the administration.

That this objection has much less force than is claimed is clear from the conduct of the postal department which is, unquestionably, a political adjunct of the administration; yet but few useless men are employed, while its conduct of the mail service is a model of efficiency after which the corporate managed railways might well pattern. Moreover, if the railways are put under non-partisan control, this objection will lose nearly if not quite all its force.

A third objection is that the service would be less efficient and cost more than with continued corporate ownership.

This appears to be bare assertion, as from the very nature of the case there can be no data outside that furnished by the government-owned railways of the British colonies, and such data negatives these assertions; and the advocates of

national ownership are justified in asserting that such ownership would materially lessen the cost, as any expert can readily point out many ways in which the enormous costs of corporate management would be lessened. With these familiar with present methods, and not interested in their perpetuation, this objection has no force whatever.

The fourth objection is that with constant political pressure unnecessary lines would be built for political ends.

This is also bare assertion, although it is not impossible that such results would follow; yet such has not been the case in the British colonies where the governments have had control of construction. On the other hand, it is notorious that under corporate ownership, and solely to reap the profits to be made out of construction, the United States have been burdened with useless parallel roads, and such corporations as the Santa Fe have paralleled their own lines for such profits. It is quite safe to say that when the nation owns the railways there will be no nickel-plating, nor will such an unnecessary expenditure be made as was involved in the construction of the "West Shore"; nor will the feat of Gould and the Santa Fe be repeated of each building two hundred and forty miles, side by side, for construction profits, much of which is located in the arid portion of Kansas where there is never likely to be traffic for even one railway. Much of the republic is covered with closely parallel lines which would never have been built under national ownership, and this process will continue as long as the manipulators can make vast sums out of construction.

A fifth objection is that with the amount of red-tape that will be in use, it will be impossible to secure the building of needed lines.

While such objection is inconsistent with the fourth it may have some force; but as the greater part of the country is already provided with all the railways that will be needed for a generation, it is not a very serious objection even if it is as difficult as asserted to procure the building of new lines. It is not probable, however, that the government would refuse to build any line that would clearly subserve public convenience, the conduct of the postal service negating such a supposition; and for party purposes the administration would certainly favor the construction of such lines as were clearly needed, and it is high time

that only such should be built; and what instrumentality so fit to determine this as a non-partisan commission acting as the agent of the whole people?

The sixth objection is that lines built by the government would cost much more than if built by corporations.

Possibly this would be true, but they would be much better built and cost far less for maintenance and "betterments," and would represent no more than actual cost; and such lines as the Kansas Midland, costing but \$10,200 per mile, would not, as now, be capitalized at \$53,024 per mile; nor would the President of the Union Pacific (as does Sidney Dillon, in the *North American Review* for April,) say that "A citizen, simply as a citizen, commits an impertinence when he questions the right of a corporation to capitalize its properties at any sum whatever," as then there would be no Sidney Dillons who would be presidents of corporations, pretending to own railways built wholly from government moneys and lands, and who have never invested a dollar in the construction of a property which they have now capitalized at the modest sum of \$106,000 per mile. After such an achievement, in making much out of nothing, it is no wonder that Mr. Dillon is a multi-millionnaire and thinks it an impertinence when a citizen asks how he has discharged his trust in relation to a railway built wholly with public funds, no part of which Mr. Dillon and his associates seem in haste to pay back; their indebtedness to the government, with many years of unpaid interest, amounting to more than \$50,000,000, which is more than the cash cost of the railway upon which these men have been so sharp as to induce the government, after furnishing all the money expended in its construction, to accept a second mortgage, and now ask the same accommodating government to reduce the rate of interest — which they make no pretence of paying — to a nominal figure, and to wait another hundred years for both principal and interest. To make sure that the government's second mortgage shall be no more valuable than second mortgages usually are, and to make it more comfortable for the manipulators, Messrs. Gould and Dillon now propose to put a blanket first mortgage of \$250,000,000 on this property, built wholly from funds derived from the sale of government lands and bonds, and to pay the interest on which bonds the people are yearly taxed, although Mr.

Dillon and his associates contracted to pay such interest. In his conception of the relations of railway corporations to the public, Mr. Dillon is clearly not in accord with the higher tribunals which hold, in substance, that railways are public rather than private property, and that the shareholders are entitled to but a reasonable compensation for the capital actually expended in construction and a limited control of the property; and in this connection it may be well to quote briefly from decisions of the United States Supreme Court, which, in the case of *Wabash Railway vs. Illinois*, used this language: "The highways in a State are the highways of the State. The highways are not of private but of public institution and regulation. In modern times, it is true, government is in the habit, in some countries, of letting out the construction of important highways, requiring a large expenditure of capital, to agents, generally corporate bodies created for the purpose, and giving them the right of taxing those who travel or transport goods thereon as a means of obtaining compensation for their outlay; but a superintending power over the highways, and the charges imposed upon the public for their use, always remains in the government." Again, in *Olcott vs. the Supervisors*, it is held that: "Whether the use of a railway is a public or private one depends in no measure upon the question who constructed it or who owns it. It has never been considered of any importance that the road was built by the agency of a private corporation. No matter who is the agent, the function performed is that of the State."

Mr. Justice Bradley says: "When a railroad is chartered it is for the purpose of performing a duty which belongs to the State itself. . . . It is the duty and prerogative of the State to provide means of intercommunication between one part of its territory and another."

If, as appears, such is the duty of the State (nation) why should not the State resume the discharge of this duty when the corporate agents to which it has delegated it are found to be using the delegated power for the purpose of oppressing and plundering a public which it is the duty of the government to protect?

The abilities of the man who cannot become a multimillionaire with the free use, for twenty-five years, of \$3,000,000 of government funds, must be of a very low

order, and it is no wonder, that after having for so many years had the use of such a sum without payment of interest, Mr. Dillon and his associates are very wealthy, and, like others who are retaining what does not belong to them, think it an impertinence when the owner inquires what use they are making of property to which they have no right. Had the nation built the Union Pacific there would have been no "Credit-Mobilier" and its unsavory scandal, and it is safe to say that the road would not now be made to represent an expenditure of \$106,000 per mile, and that Mr. Dillon and some others would not have so much money as to warrant them in putting on such insufferable airs. When it is remembered what use Oakes Ames and the Union Pacific crew made of issues of stock, it is not at all surprising that the president of the Union Pacific should think it an impertinence for a citizen to question the amount of capitalization or the use to which a part of such issues have been put, some of which are within the knowledge of the writer, so far as relates to issues of that part of the Union Pacific lying in Kansas and built by Samuel Hallett, who told the writer that he gave a member of the then federal cabinet several thousand shares of the capital stock of the "Union Pacific Railway, Eastern Division," — now the Kansas Division of the Union Pacific — to secure the acceptance of sections of the road which were not built in accordance with the requirements of the act of Congress, which provided that a given amount of government bonds per mile should be delivered to the railway company when certain officials should accept the road; and it was a quarrel with the chief engineer of the road in relation to a letter written by such engineer to President Lincoln, informing him of the defective construction of this road, that caused Samuel Hallett to be shot down in the streets of Wyandotte, Kansas, by engineer Talcott. It is within the knowledge of the writer that the member of the cabinet to whom Mr. Hallett said he gave several thousand shares of stock, held an amount of Union Pacific shares years afterwards, and that many years after he left the cabinet he continued to draw a large salary from the Union Pacific Company. Mr. Hallett also told the writer what were the arguments applied to congressmen to induce them to change the government lien from a first to a second mortgage of the Pacific Railway lines, and what was his

contribution in dollars to the fund used to enable congressmen to see the force of the arguments. When issues of railway shares are used for corrupt purposes it is certainly an impertinence for a citizen to make inquiries or offer any remarks in relation thereto.

The seventh objection to State owned railways is that they are incapable of as progressive improvement as are corporate owned ones, and will not keep pace with the progress of the nation in other respects; and in his *Fortun* article Mr. Acworth lays great stress upon this phase of the question, and argues that as a result the service would be far less satisfactory.

There may be force in this objection, but the evidence points to an opposite conclusion. When the nation owns the railways, trains will run into union depots, the equipment will become uniform and of the best character, and so sufficient that the traffic of no part of the country would have to wait while the worthless locomotives of some bankrupt corporation were being patched up, nor would there be the present difficulties in obtaining freight cars, growing out of the poverty of corporations which have been plundered by the manipulators, and improvements would not be hindered by the diverse ideas of the managers of various lines in relation to the adoption of devices intended to render life more secure or to add to the public convenience. That such is one of the evils of corporate management is demonstrated daily, and is shown by the following from the *Railway Review* of March 7, 1891: "It is stated that a bill will be introduced in the Illinois Legislature, at the suggestion of the railroad and warehouse commissioners, governing the placing of interlocking plants at railway grade crossings. It sometimes happens that one of the companies concerned is anxious to put in such a plant and the other objects. At present there is no law to govern the matter, and the enterprising company is forced to abide the time of the other." Instead of national ownership being a hindrance to improvement and enterprise, the results in Australia prove the contrary, as in Victoria the government railways are already provided with interlocking plants at all grade crossings, and one line does not have to wait the motion of another, but all are governed by an active and enlightened policy which adopts all beneficial improvements, appliances or modes of administration that will add either to the public

safety, comfort, or convenience. It is safe to say that had the nation been operating the railways, there would have been no Fourth Avenue tunnel horror; and Chauncey Depew and associates would not now be under indictment, as the government would not have continued the use of the death-dealing stove on nearly half the railways in the country in order to save money for the shareholders.

Existing evidence all negatives Mr. Acworth's postulate "that State railway systems are incapable of vigorous life."

An objection to national ownership, which the writer has not seen advanced, is that States, counties, cities, townships, and school-districts would lose some \$27,000,000 of revenue derived from taxes upon railways.

While this would be a serious loss to some communities, there would be compensating advantages for the public, as the cost of transportation would be lessened in like measure.

Many believe stringent laws, enforced by commissions having judicial powers, will serve the desired end, and the writer was long hopeful of the efficacy of regulation by State and national commissions; but close observation of their endeavors and of the constant efforts — too often successful — of the corporations to place their tools on such commissions, and to evade all laws and regulations, have convinced him that such control is and must continue to be ineffective, and that the only hope of just and impartial treatment for railway users is to exercise the "right of eminent domain," condemn the railways, and pay their owners what it would cost to duplicate them; and in this connection it may be well to state what valuations some of the corporations place upon their properties.

Some years since the "Santa Fe" filed in the counties on its line a statement showing that at the then price of labor and materials — rails were double the present price — that their road could be duplicated for \$9,685 per mile, and the materials being much worn the actual cash value of the road did not exceed \$7,725 per mile.

In 1885 the superintendent of the St. Louis & Iron Mountain Railway, before the Arkansas State board of assessors, swore that he could duplicate such railway for \$11,000 per mile, and yet Mr. Gould has managed to float its securities, notwithstanding a capitalization of five times that amount.

"SHOULD THE NATION OWN THE RAILWAYS?"*

BY C. WOOD DAVIS.

PART II. — THE ADVANTAGES OF NATIONAL OWNERSHIP.

FIRST would be the stability and practical uniformity of rates now impossible, as they are subject to change by hundreds of officials, and are often made for the purpose of enriching such officials. State and federal laws have had the effect of making discriminations less public and less numerous, but it is doubtful if they are less effective in enriching officials and their partners, although it may be necessary to be more careful in covering tracks. That they are continued is within the cognizance of every well-informed shipper, and are made clear by such cases as that of Counselman and Peasley, now before the United States Supreme Court. Counselman and Peasley—one a large shipper and the other a prominent railway official—refused to testify before a United States grand jury upon the plea that to do so might criminate themselves; the federal law making it a criminal offence to make or benefit by discriminating rates. Counselman had been given rates on corn, some five cents less per hundred pounds than others, from Kansas and Nebraska points to Chicago.

The outrageous character of this discrimination will appear when we reflect that five cents per one hundred pounds is an enormous profit on corn that the grower has sold at from eighteen to twenty-two cents per one hundred pounds, and that such a margin would tend to drive every one but the railway officials and their secret partners out of the trade, as has practically been the case on many western roads. Doubtless such rates are sometimes made in order to take the commodity over a certain line, and there is no ride with the officials; but the effect upon the competitors of the favored shipper and the public is none the less injurious, and such practices would not obtain under national

* The first part of this admirable essay appeared in July ARENA.

ownership, when railway users would be treated with honesty and impartiality, which the experience of half a century shows to be impossible with corporate ownership.

Referring to the rate question in their last report, the Interstate Commerce Commission says: "If we go no farther than the railroad managers themselves for information, we shall not find that it is claimed that railroad service, as a whole, is conducted without unjust discriminations."

"If rates are secretly cut, or if rebates are given to large shippers, the fact of itself shows the rates which are charged to the general public are unreasonable, for they are necessarily made higher than they ought to be in order to provide for the cut or to pay the rebate."

"If the carrier habitually carries a great number of people free, its regular rates are made the higher to cover the cost; if heavy commissions are paid for obtaining business, the rates are made the higher that the net revenues may not suffer in consequence; if scalpers are directly or indirectly supported by the railroad companies, the general public refunds to the companies what the support costs."

The Commission quotes a Chicago railway manager as saying: "Rates are absolutely demoralized and neither shippers, passengers, railways, or the public in general make anything by this state of affairs. Take passenger rates for instance; they are very low; but who benefits by the reduction? No one but the scalpers. . . . In freight matters the case is just the same. Certain shippers are allowed heavy rebates, while others are made to pay full rates. . . . The management is dishonest on all sides, and there is not a road in the country that can be accused of living up to the interstate law. Of course when some poor devil comes along and wants a pass to save him from starvation, he has several clauses of the interstate act read to him; but when a rich shipper wants a pass, why he gets it at once."

From years of ineffectual efforts on the part of State and national legislatures and commissions to regulate the rate business, it would appear that the only remedy is national ownership, which would place the rate-making power in one body with no inducement to act otherwise than fairly and impartially, and this would simplify the whole business and relegate an army of traffic managers, general freight agents, soliciting agents, brokers, scalpers, and hordes of traffic

association officials to more useful callings while relieving the honest user of the railway of intolerable burthens.

Under corporate control, railways and their officials have taken possession of the majority of the mines which furnish the fuel so necessary to domestic and industrial life, and there are but few coalfields where they do not fix the price at which so essential an article shall be sold, and the whole nation is thus forced to pay undue tribute.

Controlling rates and the distribution of cars, railway officials have driven nearly all the mine owners who have not railways or railway officials for partners, to the wall. For instance, in Eastern Kansas, on the line of the St. Louis & San Francisco Railway Company, were two coal companies, whose plants were of about equal capacity, and several individual shippers. The railway company and its officials became interested in one of the coal companies, and such company was, by the rebate and other processes, given rates which averaged but forty per cent. of the rates charged other shippers, the result being that all the other shippers were driven out of the business, a part of them being hopelessly ruined before giving up the struggle. In addition to gross discriminations in rates this railway company practised worse discriminations in the distribution of cars; for instance, during one period of five hundred and sixty-four days, as was proven in court, they delivered to the Pittsburg Coal Company, 2,371 empty cars to be loaded with coal, although such company had sale for, and capacity to produce and load, during the same period, more than 15,000 cars. During the same time this railway company delivered to the Rogers Coal Company, in which the railway company and C. W. Rogers, its vice-president and general manager, were interested, no less than 15,483 coal cars, while four hundred and fifty-six were delivered to individual shippers. In other words, the coal company owned in large part by the railway and its officials was given eighty-two per cent. of all the facilities to get coal to market, although the other shippers had much greater combined capacity than had the Rogers Coal Company.

During the last four months of the period named, and when the Pittsburg Coal Company had the plant, force, and capacity to load thirty cars per day, they received an average of one and a fourth cars per day, resulting, as was

intended, in the utter ruin of a prosperous business and the involuntary sale of the property, while the railway coal company, the railway officials, and the accommodating friends who operated the Rogers Coal Company, made vast sums of money; and when all other shippers had thus been driven off the line the price of coal was advanced to the consumer.

On another railway, traversing the same coal-field, the railway or its officials became interested in the Keith & Perry Coal Company—the largest coal company doing business on the line—and here the plan seems to have been, in addition to the manipulation of rates, to starve other mine operators out, and force them to sell their coal to the Keith & Perry Company, by failing to furnish the needed cars to those who did not sell their coal to the Keith & Perry Company at a very low price.

When the Keith & Perry Company had a great demand for coal, such parties as sold the product of their mines to that company were furnished with cars, but for the other operators cars were not to be had, such cars as were brought to the field being assigned to such parties as were loading to the Keith & Perry Company, because that company furnished the coal consumed by the locomotives of the railway.

One operator, after being for years forced in this way to sell his product to the Keith & Perry Company, or see his several plants stand idle, has, in recent months, been obliged to build some seven miles of railway in order to reach four different roads, and thus have a fighting chance for cars, although all these railways are provided with coal mines owned by the corporations or their officials.

In Arkansas, Jay Gould, or his railway company, own coal mines and the coal is transported to the neighboring town at low rates, and there is an ample supply of cars for such mines; but the owners of an adjoining mine are forced to haul their coal some eighteen miles to the same town in wagons, as the rates charged them over Mr. Gould's railway are so high as to absorb the value of the coal at destination.

Not only are individuals thus oppressed, but for reasons which only the initiated can fathom there are seemingly purposeless discriminations against localities, as shown in the following extract from the *Coal Trade Journal* of March 25, 1891.

"Capt. Thomas H. Bates, before the railroad committee of the Colorado Senate, said: The Grand River Coal & Coke Company mine their coal in Garfield County, about fifty miles west of Leadville, and all they sell in Denver, Colorado Springs, and Pueblo, has to be hauled through Leadville. At Leadville the individual consumer has to pay \$7.00 per ton for this coal, while in Denver, with an additional haul of 150 miles, the coal from the same mines is delivered to the individual consumer for \$5.50 per ton. The Colorado Coal & Iron Company produce all the anthracite coal sold in Colorado. It is mined at Crested Butte, which is 150 miles nearer Leadville than Denver, yet this coal is sold in Leadville for \$9.00 to the individual consumer, while the same coal is hauled 150 miles farther, and sold to the individual consumer for an advance of twenty-five cents per ton over the Leadville price, and is sold in Denver for \$7.10 per ton in carload lots."

With the government operating the railways, discriminations would cease, as would individual and local oppression; and we may be sure that an instant and absolute divorce would be decreed between railways and their officials on one side, and commercial enterprises of every name and kind on the other.

There are but three countries of any importance where the railways are operated by corporations permitted to fix rates, as in all others the government is the ultimate rate-making power: these are Great Britain, Canada, and the United States; and while the British government exercises a more effective control than we do, there are many and oppressive discriminations, and complaints are loud and frequent, and English farmers find it necessary to unite for the purpose of securing protection from corporate oppression, as is shown by the following from the *Liverpool Courier* of January 29, 1891.

LANCASHIRE FARMERS AND RAILWAY RATES.

After the counsel given them yesterday by Mr. A. B. Forwood, of Ormskirk, it may be expected that the Liverpool District Farmers' Club will be on the watch for tangible evidence of their grievances against the railway companies. . . . Under certain circumstances competition operates to the advantage of the public, and rival carriers are constrained to convey goods from place to place at moderate charges; but where a company is not held in check, the tendency is for rates to advance. In many

cases, too, special interests of the companies are promoted at the expense of localities, and even individuals are subjected to the wrong of preferential charges. (There are no complaints in Britain that these discriminations are practised for the purpose of enriching the officials.) Hence the necessity for the Railway Commission to regulate the magnates of the iron road, who when left without restraint pay little regard to interests other than those of their shareholders.

Although Mr. Acworth fails to mention this phase of English railway administration, it would appear that the evils of discrimination are common under corporate management in Great Britain, and that they are inherent to and inseparable from such management; and that the questions of rates, discriminations, and free traffic in fuel can be satisfactorily adjusted only by national ownership, and if for no other reasons such ownership is greatly to be desired.

The failure to furnish equipment to do the business of the tributary country promptly is one of the greater evils of corporate administration, enabling officials to practise most injurious and oppressive forms of discrimination, and is one that neither federal nor State commission pays much attention to. With national ownership a sufficiency of cars would be provided. On many roads the funds that should have been devoted to furnishing the needed equipment, and which the corporations contracted to provide when they accepted their charters, have been divided as construction profits or, as in the case of the Santa Fe, Union Pacific, and many others, diverted to the payment of unearned dividends, while the public suffers from this failure to comply with charter obligations; yet Mr. Dillon informs us that the citizen commits an impertinence when he inquires why contract obligations, which are the express consideration for the exceptional powers granted, are not performed.

Another great advantage which would result from national ownership would be such an adjustment of rates that traffic would take the natural short route, and not, as under corporate management, be sent around by the way of Robin Hood's barn, when it might reach destination by a route but two thirds as long, and thus saving the unnecessary tax to which the industries of the country are subjected. That traffic can be sent by these round-about routes at the same

or less rates than is charged by the shorter ones is *prima facie* evidence that rates are too high. If it costs a given sum to transport a specific amount of merchandise a thousand miles, it is clear that it will cost a greater sum to transport it fifteen hundred; and yet traffic is daily diverted from the thousand mile route to the fifteen hundred one, and carried at the same or lower rates than is charged by the shorter line. It is evident, that if the long route can afford to do the business for the rates charged, that the rates charged by the shorter are excessive in a high degree.

Under government management, traffic would take the direct route, as mail matter now does, and the industries of the country be relieved of the onerous tax imposed by needless hauls. Only those somewhat familiar with the extent of the diversions from direct routes can form any conception of the aggregate saving that would be effected by such change as would result from national ownership, and which may safely be estimated as equal to two and a half per cent. of the entire cost of the railway service, or \$25,000,000 per annum.

With the government operating the railways there would be a great reduction in the number of men employed in towns entered by more than one line. For instance, take a town where there are three or more railways, and we find three (or more) full-fledged staffs, three (or more) expensive up-own freight and ticket offices, three (or more) separate sets of all kinds of officials and employees, and three (or more) separate depots and yards to be maintained. Under government control these staffs—except in very large cities—would be reduced to one, and all trains would run into one centrally located depot; freight and passengers be transferred without present cost, annoyance, and friction, and public convenience and comfort subverted, and added to in manner and degree almost inconceivable.

Economies which would be affected by such staff reductions, would more than offset any additions to the force likely to be made at the instance of politicians, thus eliminating that objection; such saving may be estimated at \$20,000,000 per annum.

With the nation owning the railways the great number of expensive attorneys now employed, with all the attendant corruption of the fountains of justice, could be dispensed

with; and there would be no corporations to take from the bench the best legal minds, by offering three or four times the federal salary; nor would there be occasion for a justice of the Supreme Court of Kansas to render a decision that a corporation chartered by Kansas for the sole purpose of building a railway in that State has the right and power under such charter to guarantee the bonds of corporations building railways in Old or New Mexico, and shortly after writing such decision be carted all over the seaboard States in one of the luxurious private cars of such corporation. Under national ownership such judges would pay their travelling expenses in some other way, and be transported in the ordinary manner, and not half as many judges would travel on passes. There are many judges whose decisions any number of passes would not affect; but if passes are not to have any effect upon legislation and litigation, why are congressmen, legislators, judges, and other court officials singled out for this kind of martyrdom? If the men who attain these positions remained private citizens, would passes be thrust upon them?

Although the reports of the Victorian Commissioners show, in detail, all the expenditures of railway administration, yet not one dollar is set down for attorneys' salaries or for legal expenses, and it is presumed that the ordinary law officers of the government attend to the little legal business arising, and yet judging from reports made by Kansas roads, the expenditures of the corporate owned railways of the United States for attorneys' salaries and other legal expenses, are at least two per cent. of the entire cost of operating the roads, and yearly aggregate some \$14,000,000, all of which is taken directly from railway users, and is a tax which would be saved under national ownership, as United States district attorneys could attend to such legal business as might arise. This expenditure is incurred in endless controversies between the corporations, in wrecking railways, in plundering the shareholders, in contending against State and federal regulation, in manipulating elections and legislation, and in wearing out such citizens as seek legal redress for some of the many outrageous acts of oppression practised by the corporations. Once the government was in control, these lawyers would be relegated to some employment where they would do less harm, even if

not engaged in a more honorable vocation than that of trying to defeat justice by the use of such questionable means as the control of the vast revenues of the corporations place in their hands.

Is it possible that the railway companies can legitimately use anything like \$14,000,000 yearly in protecting their rights in the courts?

The president of the Union Pacific tells us that: "The courts are open to redress all real grievances of the citizen."

There is probably no man in the United States better aware than is Sidney Dillon that no citizen, unless he has as much wealth as the president of the Union Pacific, can successfully contest a case of any importance in the courts with one of these corporations which make a business, as a warning to other possible plaintiffs, of wearing out the unfortunate plaintiff with the law's costly delays; and failing this do not hesitate to spirit away the plaintiff's witnesses, and to pack and buy juries—retaining a special class of attorneys for this work—the command of great corporate revenues enabling them to accomplish their ends, and to utterly ruin nearly every man having the hardihood to seek Mr. Dillon's lauded legal redress, and when they have accomplished such nefarious object, the entire cost is charged back to the public, and collected in the form of tolls upon traffic. Laws are utterly powerless to restrain the corporations, and Mr. Dillon tells us how easy it is to evade them by pleading compliance, when there has been no compliance, and then having the expert servants of the corporation swear there has been.

With the government operating the railways, every citizen riding would pay fare adding immensely to the revenues. Few have any conception of the proportion who travel free, and half a century's experience renders it doubtful if the pass evil—so much greater than ever was the franking privilege—can be eliminated otherwise than by national ownership. From the experience of the writer, as an auditor of railway accounts, and as an executive officer issuing passes, he is able to say that fully ten per cent. travel free, the result being that the great mass of railway users are yearly mulcted some \$30,000,000 for the benefit of the favored minority; hence it is evident that if all were required to pay for railway services, as they are for mail

services, the rates might be reduced ten per cent. or more, and the corporate revenues be no less, and the operating expenses no more. In no other country—unless it be under the same system in Canada—are nine tenths of the people taxed to pay the travelling expenses of the other tenth. By what right do the corporations tax the public that members of Congress, legislators, judges, and other court officials and their families may ride free? Why is it that when a legislature is in session passes are as plentiful as leaves in the forest in autumn?

The writer, as an executive officer of a railway company having authority to issue passes, has, during a session of the legislature, signed vast numbers of blank passes at the request of the legislative agents of such company, and under instructions of the president of the corporation to furnish such lobby agents with all the passes they should ask for. No reports of passes issued are made either to State or federal governments, or to confiding shareholders, and should such reports be asked for, by State or nation, in order to measure the extent of this evil, the Sidney Dillons would rush into print and tell us it was a piece of impertinence for any citizen (or the public) to inquire into the extent of or the manner in which the corporations dispensed their favors. The only way to kill this monster is to put the instruments of transportation under such control as only national ownership can give. Laws and agreements between the corporations have been proven, time and again, wholly ineffective even to lessen this great and corrupting evil.

In every conceivable way are the net revenues of the corporations depleted, and needless burthens imposed upon the public, but one of the worst is the system of paying commissions for the diversion of traffic to particular lines, often the least direct. The more common practice is to pay such commissions to agents of connecting lines where it is possible to send the traffic over any one of two or more routes, and the one which may, by the payment of such commission, secure the carrying of the passenger (or merchandise) may be the least desirable, and the one which would never have been taken but for the prevarications of an agent bribed by a commission to make false representations as to the desirableness of the route he selects for the confiding passenger.

This is but one of many phases of the commission evil, another being that these sums are ultimately paid, not by the corporations, but by the users of the railways, and but for the payment of such commissions the rates might be reduced in like amounts. Aside from commissions paid for diverting passenger traffic great sums are paid for "influencing" and "routing" freight traffic, and these sums, while paid to outsiders, or so-called brokers, are frequently divided with railway officials. When the writer was in charge of the transportation accounts of a railway running east from Chicago, it was a part of his duties to certify to the correctness of the vouchers on which commission payments were made, and he became aware of the fact that one Chicago brokerage firm was being paid a commission of from three to five cents per hundred pounds on nearly all the flour, grain, packing house, and distillery products being shipped out of Chicago over this railway, no matter where such shipments might originate, many of them, in fact, originating on and far west of the Mississippi River; and when he objected to certifying to shipments with which it was clear that the Chicago parties could have had nothing to do, he was told, by the manager, that his duties ended when he had ascertained and certified that such shipments had been made from Chicago station. From investigations instituted by the writer, he soon learned that some one connected with the management was deeply interested in the payment of the largest sums possible as commissions.

The corporations have ineffectually wrestled with the commission evil, and any number of agreements have been entered into to do away with it; but it is so thoroughly entrenched, and so many officials have an interest in its perpetuation, that they are utterly powerless in the presence of a system which imposes great and needless burthens upon their patrons, but which will die the day the government takes possession of the railways, as then there will be no corporations ready to pay for the diversion of traffic. National ownership alone can dispose of an administrative evil that, from such data as is obtainable, appears to cost the public from \$20,000,000 to \$25,000,000 per annum.

* Mr. Meany, in his *Sun* article, summarizes six causes for the diminution of railway dividends and remarks: "It is

unnecessary to dwell at any great length upon the first five mentioned reasons, but too much could not be said on the sixth. It is now nearly seven years since James McHenry of London (and New York, Pennsylvania & Ohio Railway litigation fame) openly charged railway managers, in an interview published in the *Sun*, with criminal collusion in the matter of securing extraordinary privileges and unapproachable contracts with their several corporations for favored fast freight lines, express routes, bridge companies, etc., etc., in all the benefits of which such managers shared to a very great extent. On that occasion Mr. McHenry was promptly cried down. Would he be cried down to-day?"

As a rule, American railways pay the highest salaries in the world for those engaged in directing business operations, but such salaries are not paid because transcendent talents are necessary to conduct the ordinary operations of railway administration, but for the purpose of checkmating the chicanery of corporate competitors. In other words, these exceptionally high salaries are paid for the purpose, and because their recipients are believed to have the ability to hold up their end in unscrupulous corporate warfare where, as one railway president expressed it, "the greatest liar comes out ahead." With the government operating the railways, there would be no conflicting interests necessitating the employment of such costly officials whose great diplomatic talents might well be dispensed with, while the running of trains, and the conduct of the real work of operating the roads, could be left to the same officials as at moderate salaries now perform such duties, and consolidation of all the conflicting interests in the hands of the government will enable the public to dispense with the services of the high priced managers now almost exclusively engaged in "keeping even with the other fellow," as well as with the costly staffs assisting such managers in keeping even, and the savings resulting may be estimated at from \$4,000,000 to \$5,000,000 per year.

Government control will enable railway users to dispense with the services of such high priced umpires as Mr. Aldace F. Walker, as well as of all the other officials of sixty-eight traffic associations, fruitlessly laboring to prevent each of five hundred corporations from getting the start of its fellows, and trying to prevent each of the five hundred from absorb-

* Mr. John P. Meany, editor of Poor's Manual of Railroads, in the New York *Sun* of January 12, 1891.

ing an undue share of the traffic. It appears that each of these costly peace-making attachments has an average of seven corporations to watch.

Referring to traffic associations, and their vain endeavors to keep the corporations within sight of commercial ethics, the Interstate Commerce Commission says: "But the most important provisions of the law have not so often been directly violated as they have been nullified through devices, carefully framed with legal assistance, — here is one of the places where the high-priced lawyer gets in his work — with a view to this very end, and in the belief that when brought to legal test the device hit upon would not be held by the courts to be so distinctly opposed to the terms of the law as to be criminally punishable." In this connection, it is well to remember what Mr. Dillon tells us of the ease with which the laws can be evaded.

With national ownership the expenditures involved in the maintenance of traffic associations would be saved, and railway users relieved of a tax that, judging from the reports of a limited number of corporations of their contributions towards the support of such organizations, must annually amount to between four and five million dollars.

Of the six hundred corporations operating railways, probably five hundred maintain costly general offices, where president, treasurer, and secretary pass the time surrounded by an expensive staff. The majority of such offices are off the lines of the respective corporations, in the larger cities, where high rents are paid, and great expenses entailed, that proper attention may be given to the bolstering or depressing the price of the corporation's shares, as the management may be long or short of the market. So far as the utility of the railways is concerned as instruments of anything but speculation, such offices and officers might as well be located in the moon, and their cost saved to the public. The average yearly cost of such offices (and officers) is more than \$50,000, and the transfer of the railways to the nation would, in this matter alone, effect an annual saving of more than \$25,000,000, as both offices and officials could be dispensed with, and the service be no less efficient.

Moreover, with the nation owning the railways, the indirect but no less onerous tax levied upon the industries of the country, by the thousands of speculators who make day

hideous on the stock exchanges, would be abrogated, as then there would be neither railway share nor bond for these harpies to make shuttlecocks of, and this would be another economy due to such ownership.

Railways spend enormous sums in advertising, the most of which national ownership would save, as it would be no more necessary to advertise the advantages of any particular line than it is to advertise the advantages of any given mail route. From reports made by railway corporations to some of the Western States, it appears that something over one per cent. of operating expenses are absorbed in advertising, aggregating something like \$7,000,000 per year, of which we may assume that but \$5,000,000 would be saved, as it would still be desirable to advertise train departures and arrivals.

A still greater expense is involved in the maintenance of freight and passenger offices off the respective lines, for the purpose of securing a portion of the competitive traffic. In this way vast sums are expended in the payment of rents, and the salaries of hordes of agents, solicitors, clerks, etc., etc. Taking the known expenditures, for this purpose, of a given mileage, it is estimated that the aggregate is not less than \$15,000,000 yearly, all of which is a tax upon the public, that would be saved did the government operate the railways.

Under government control, discriminations against localities would cease, whereas now localities are discriminated against because managers are interested in real estate elsewhere, or are interested in diverting traffic in certain directions; again, under corporate management, it is for the interest of the company to haul a commodity as far as possible over its own lines (with the government owning all the lines this motive will lose its force), and thus traffic is forced into unnatural channels. For instance: much of the grain from Kansas should find its way to foreign markets via the short route to the Gulf, the distance to tide water by this route being less than half what it is to the Atlantic, yet so opposed to this natural route are the interests of the majority of the corporations controlling the traffic associations, which now dictate to the people what routes their traffic shall take, that the rates to the Gulf are kept so high as to force the traffic to the Lakes and to the Atlantic; and as all

the railways leading to the Gulf have lines running eastward, the much lauded corporate competition fails to help out the citizens of Kansas, who are subjected to the domination of the new tyrant denominated a "traffic association." With the nation operating the railways, all this would be changed, and localities favorably located would be able to reap the benefits which such location should give, and should such a condition ever obtain, the farmers of western Iowa will not then ship corn to the drouth-stricken portion of Kansas for fifteen cents per one hundred pounds, while the Kansas corn grower, living within seventy-five miles of the same market, is charged ten cents per one hundred pounds for a haul one eighth as long. By such rates the railways force the hauling of corn from Iowa to western Kansas, and then force the corn grower of central Kansas to send his corn eastward, the result being two long hauls, where one short one would suffice; but then the corporations would have absorbed less of the substance of the people.

Another, and an incalculable benefit, which would result from national ownership, would be the relief of State and national legislation from the pressure and corrupting practices of railway corporations which constitute one of the greatest dangers to which republican institutions can be subjected. This alone renders the nationalization of the railways most desirable, and at the same time such nationalization would have the effect of emancipating a large part of the press from a galling thralldom to the corporations.

With the nation operating the railways, we may have some hope that rates will be reduced by some system resembling the Hungarian zone which has had the effect of diminishing local passenger rates about forty per cent., resulting in such an increase of traffic as to greatly increase the revenues of the roads; the average of rates by ordinary third-class trains being about three fourths of a cent per mile, and one and a half cents per mile for first-class express trains.

In Victoria, the parcel or express business is done by the government railways, and the rates are not one half what they are with us when farmed out to a second lot of corporations. Space does not permit the discussion or even the statement of the many salutary phases of government control, as developed in the various countries of Europe, and it is

not necessary, as there are abundant reasons to be found in conditions existing at home, for making the proposed change. By far the most menacing feature of continued corporate ownership is the power over the money markets which it places in the hands of unscrupulous men, any half dozen of whom can, at such a time as that following the failure of the Barings, destroy the welfare of millions, and plunge the country into all the horrors of a money panic. Whether it be true or not, there are many who believe that a small coterie, who had information before the public of the condition of Baring Brothers and that a block of many millions of American railway securities held by that house were being (or soon would be) pressed upon the market, entered into a conspiracy for the purpose of locking up money and thereby depressing prices in order to secure, at low cost, the control of certain coveted railways. The railways were secured, and there is not much doubt that they had been lying in wait for such a critical condition of the money markets to accomplish this purpose, which still further enhances their power for evil. With the railways nationalized, not only would there be no temptation for such nefarious operations, but the power of such men over values would be greatly lessened, if not wholly destroyed, as there would be no railway shares for them to play fast and loose with, and as money, instead of being tied up in loans on chromos representing little but water, would seek investment in bona fide enterprises, their operations would have little influence, and would certainly have no such baleful power over the industries of the country, as their ability to affect the value of railway shares — on which such immense sums are now loaned on call — gives them, they being able by locking up a few millions when the money market is in the condition, which obtained at the time of the Baring collapse, to force the calling of loans and the slaughtering of vast numbers of the shares, carrying the control of the railways they covet. If only for the purpose of divesting "The dangerous wealthy classes" of this frightful power, national ownership would be worth many times its cost, and without such ownership a score of manipulators are soon likely to be complete masters of the republic and all its industrial interests; hence, the question reverts to the form stated in the opening of this paper: Shall the nation accept

Assuming that \$30,000 per mile is the maximum cost of existing railways — as is shown in THE ARENA for February, — and that there are 160,000 miles, it would give a total valuation of \$4,800,000,000; but that there may be no complaint that the nation is dealing unfairly with the owners of much water, it will be well to add twenty-five per cent. to what will be found to be the outside value of the railways when condemned under the law of eminent domain, and assuming that \$6,000,000,000 of three per cent. bonds are issued in order to make payment therefor, and it involves an interest charge of \$180,000,000, to which add \$670,000,000, as the cost of maintenance and operation, and \$50,000,000 as a sinking fund, and we have a total annual cost, for railway service, of \$900,000,000 as against a present cost of \$1,050,000,000 (\$950,000,000 from traffic earnings, and \$85,000,000 from other sources of railway revenue) resulting in a net annual saving to the public of \$150,000,000 to which must be added the other various savings which it has been estimated would result from government control, and which, for the convenience of the reader, are here recapitulated, namely:—

Saving from consolidation of depots and staffs,	\$20,000,000
Saving from exclusive use of shortest routes,	25,000,000
Saving in attorneys' salaries and legal expenses,	12,000,000
Saving from the abrogation of the pass evil,	30,000,000
Saving from the abrogation of the commission system,	20,000,000
Saving by dispensing with high priced managers and staffs,	4,000,000
Saving by disbanding traffic associations,	4,000,000
Saving by dispensing with presidents, etc.,	25,000,000
Saving by abolishing (all but local) offices, solicitors, etc.,	15,000,000
Saving of five-sevenths of the advertising account,	5,000,000
Total savings by reason of better administration,	\$160,000,000

believing that the cost of the railway service would be some \$310,000,000 less than under corporate management.

That \$6,000,000,000 is much more than it would cost to duplicate existing railways, will not be questioned by the disinterested familiar with late reductions in the cost of construction, and that such a valuation is excessive is manifest from the fact that it is much more than the market value of all the railway bonds and shares in existence.

Mr. John P. Meany, in the *Railway Review* of February 7, 1891, says: "It is safe to assume that the market valuation of the entire \$4,500,000,000 of railroad stock in existence, would not average more than \$30 per share, or, say \$1,350,000,000 in all," and in his *San* article he states that fully \$500,000,000 of this stock is duplicated, so that the "live" stock outstanding is really but \$4,000,000,000, which at \$30 per share would have an aggregate value of \$1,200,000,000. Mr. Meany also states that there are duplications of bond issues amounting to some \$300,000,000 leaving the live outstanding bonds at \$4,500,000,000 and many corporations failing to pay interest, some issues are selling as low as 12 per cent. of par, making it safe to call the average market value of bonds 90 per cent. of their face value, and their aggregate value would be \$4,050,000,000, to which add value of "live" capital stock, \$1,200,000,000, and the total market value of bonds and stock is, \$5,250,000,000, being at the rate of \$32,800 per mile for the 160,000 miles in operation.

After many years of familiarity with the turgid and obscure statements issued by American railway corporations, and which are usually of such a character that the more they are studied the less the shareholder knows of the affairs of the corporation, it is very refreshing to read the report of the Railway Commissioners of any one of the Australasian colonies, where every item of expenditure is made clear, and where words are not used for the purpose of misleading.

The last Victorian report shows this new and sparsely settled country as able to borrow money with which to build national railways, at three and one half per cent. per annum. How many American corporations are able to borrow money at such a rate? This saving in the interest charge directly benefits the public, and is due to national ownership,

and a like saving will be made by the nationalization of American railways.

This report also shows that while the country is so rugged that in many cases the gradients are as great as one hundred and thirty feet per mile, and the cost of labor and supplies more than here, the roads are operated at less cost, as measured by the expense per train mile, than in the favored regions of the United States. The Kansas City, Fort Scott, and Memphis Railway is, admittedly, one of the best managed and most economically operated railways in the West, and with an abundance of very cheap coal;* low gradients and running more trains than do the Victorian railways should be operated much more cheaply, yet the cost of operating this road, as measured by the cost per train mile, — and this is the best possible criterion of economy in operation, — is one third greater than on the government owned railways of Victoria.

An excellent measure of the efficiency of the management is the number of casualties, as proportioned to the number of passengers carried and men employed, which is very great in such countries as Russia, Roumania, and Portugal; but in Victoria, and other Australian colonies, the proportion is far less than in the United States, more attention being given to the adoption of such safety devices as interlocking switches, etc., and all the stations and crossings are provided with gates, and otherwise better guarded than with us, where the corporations are much more intent upon paying dividends than in serving the public, or in saving life and limb, while on the government-operated railways of Victoria, the management devotes its attention — with a due regard to economy, — to the convenience, comfort, and safety of railway users, and employees having no bond or share holders to provide for. In the United States one of the useless traffic associations pays its chief umpire nearly as much as Victoria pays her entire commission.

Those desirous of entering the railway service of Victoria are subjected to such a rigid examination as to qualifications and character, that but little more than one third are able to pass the ordeal, and a high standard of excellence in the personnel of the service results; when these ser-

vants are disabled or worn out by long service, they are pensioned or given a retiring allowance, and this system tends to reduce the inclination to strike, as a man who has been years in the service will long hesitate before he forfeits his right to a provision of this kind.

All the Australian reports and accounts which have come under the observation of the writer, are models of conciseness and clearness, and show that there is nothing inherent in railway accounts rendering it necessary that they be made obscure and misleading.

Neither in the Australian reports nor in the colonial press is there the least evidence of discriminations against individuals or localities, and this one fact is an argument of greater force in favor of national ownership than all that have ever been advanced against it.

* Coal on the line named is worth about \$1.50 per ton at the mines, while interior coal is worth \$3.75 per ton at the mines in Victoria.

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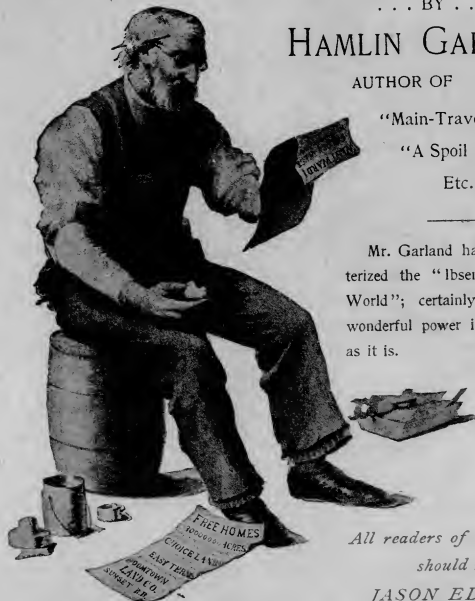
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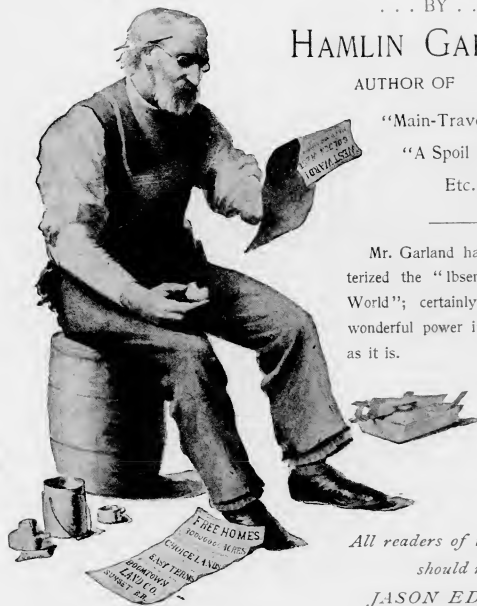
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